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China Report

ECONOMIC AFFAIRS

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3 JULY 1986

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NATIONAL POLICY AND ISSUES

EFFECT OF PRICE REFORM ON COMMODITY PRICE INCREASES

Kunming YUNNAN RIBAO in Chinese 10 Jan 86 p 3

[Article by He Han [0149 3352]: "Will the Reform of the Price System Lead to a Widespread Spiraling Increase in Commodity Prices?"]

[Text] For a period of time, some consumers have been concerned as to whether or not the state's readjustment of some commodity prices and the reform of the price system would cause a widespread spiraling increase in commodity prices. It is our belief that these concerns are understandable, but should be put to rest.

First, we should carefully distinguish between today's price reform and the widespread upward spiral of commodity prices in old China. During the rule of the KMT, in particular the years right before the liberation, widespread upward spirals in commodity prices often occurred. The ruling authorities at the time were hopelessly corrupt politically, production was severely disrupted and there was an extreme shortage of goods and materials. The regime relied primarily on foreign credit and the indiscriminate issue of paper currency to maintain itself, and commodity prices rose wildly. In June of 1937, 1.41 billion yuan of legal paper tender was issued. By May, 1949 that sum had increased to (203 quintrillion, 837 quadrillion, 400 trillion) yuan (converted into KMT paper currency from gold dollars), which was 144.5 billionfold more than on the eve of the war of resistance against Japan. If, for instance, you had deposited 2 billion KMT yuan in a bank before the war--actually this would have been impossible, as this sum is too large and approaches the figure for the total amount of currency issued at the time--after several conversions and depreciations in the rate of exchange, that sum would have been worth 1 yuan in gold dollars by the "currency reform" of 19 August 1948, with which you could not have even purchased 5 liters of rice. By May 1949, that 1 yuan could not have even bought one single grain of rice. Some comrades suffered from the inflation of the old society and still retain vivid memories of it. In addition, due to the gradual development since the liberation of the idea that "stabilizing commodity prices means freezing them," they feel rather uncomfortable with the slightest readjustment of commodity prices and are concerned about whether or not a new spiral of price increases will begin. It should be noted that the present reform of the price system is being conducted in very good times, economically and politically, and that commodity prices are not being readjusted in response to bad times. The purpose of the price reform is to put commodity prices in order, promote the further continued development of the national economy and

to further improve the living standards of the masses of the people. Both in regard to the premises and purposes of the reform, the situation is entirely different from the KMT period before the liberation. Therefore, a widespread spiraling increase in commodity prices will not occur today.

Second, our reform of the price system does not entail an overall increase of all commodity prices, but is a structured readjustment of an irrational price system. In recent years, the state has begun a structured reform of the lack of price differentials for commodities of the same category but of varying quality, irrational price ratios among different commodities, and the situation in which sales prices of primary agricultural byproducts were lower than state purchasing prices. Throughout the reform, prices have both risen and fallen. For example, from 1978 to 1984, purchasing prices for agricultural products rose nearly 50 percent; the overall price ratio between industrial and agricultural prices shrank 30 percent; the price of coal rose 38 percent, products of an raw materials for the metallurgy, chemicals, and construction materials industries rose approximately 50 percent. Prices fell and rose to an equal extent for consumer goods, such as light industry products, textiles, and medicine; prices of electronic goods fell nearly 20 percent in the last 6 years, however. Due to excessive demand, prices for products such as televisions, refrigerators and washing machines cannot fall. In the next several years, the numbers of products will increase and their prices will gradually decrease. Although since the loosening of restrictions, the prices of products such as pork, vegetables, and fruit have risen, sometimes excessively, product variety and quality have improved, purchasing is more convenient and the consumer has gained as well as lost. Now that production is developing, prices will stabilize and even fall a little. From this approach, it is clear that the reform of the price system does not mean wholesale increases, but rather both decreases and increases. The belief that there will be endless price increases leading to a widespread upward spiral is baseless.

Third, the state's reform of the price system is a guided, planned, supervised one. The central authorities have put forth the principles of prudence and stability, and have taken a series of correct policies, in regard to the reform, have proposed the principle of conducting reform based on the development of production and the premise of ensuring the gradual increase of the people's real income, and devised detailed, really feasible programs and measures. In regard to the disposition of reform methods, the guiding concept is "integrate loosening of restrictions with readjustment; look before taking each small step." Beginning with the inception of the plan last year, 5 years' time will be needed to basically reorder China's price system. Larger adjustments in commodity prices are to be determined by the state. Anything that exceeds a certain level will not be allowed. The state will take firm measures to control the overall level of market retail prices. While resolving the problem of the underpricing of agricultural byproducts and readjusting the prices of consumer goods, we must take solid steps to ensure that the living standards of the vast ranks of urban and rural residents will not fall because of price adjustment. Yunnan took four major steps in implementing the price reform last year based on these principles and plans. These included the loosening of restrictions on the prices of pigs, adjusting the price of rural grain, raising the cost of short distance rail shipping, and adjusting price differentials and ratios for coal. Good

results have already been achieved in these four areas. Practice has shown that these principles, policies and measures are major guarantees in ensuring the smooth implementation of the price system reform and in maintaining basic stability for commodity prices.

Of course, some excessively large price hikes have occurred for some commodities since last year. With the exception of normal, rational price increases and indiscriminate price raising by some industrial and commercial enterprises and self-employed peddlers who took unfair advantage of the reform, most of the increases were due to the overly rapid growth in extra-budgetary expenditure for fixed assets, the excessively swift development of industry, the large scope of capital construction and the sudden growth of credit and consumer funds which led to shortages and overly high prices of some commodities on the market, especially nonstaple foods. However this is a temporary problem that has occurred in the course of the reform of the price system. It does not mean that there has been or will occur a widespread spiraling increase in commodity prices. We are aware that the cause of such a phenomenon is an extreme shortage of goods and materials and the failure of supply to meet demand, which leads to huge increases in commodity prices, and the great increase by the government of the issuance of currency, which causes a vicious cycle of inflation, and so on, whereas today we have a plethora of goods and materials, and the state has not issued a huge amount of currency. As for the issuing of some extra currency in the fourth quarter of 1984, the central authorities took firm measures as soon as the problem was discovered to control the scope of investment in fixed assets and to control the excessively rapid growth of industrial production, the amount of currency issued, and consumer funds, so that they would not exceed the production rate of consumer goods. This is the most fundamental method that could be taken in controlling commodity prices. At the same time, the state also took strong measures to greatly increase production of salable, popular consumer products, to gain flexible mastery over export-import policy, to readjust and balance domestic supply, withdraw currency from the market, improve management, supervision and inspection of commodity prices, and so on. These measures have already achieved remarkable results, which is effective proof that our party and state gained valuable experience during the early period of construction and the time of difficulties in the 1960's in stabilizing commodity prices, and that they can, in the course of the present reform of the price system, make a complete and timely resolution of problems that have occurred in the price reform to ensure the smooth conducting of this reform so vital in relation to the entire nation.

12221/9869
CSO: 4006/702

ECONOMIC MANAGEMENT

IMPROVING MACROECONOMIC CONTROL TO AID ECONOMY URGED

Kunming YUNNAN RIBAO in Chinese 10 Jan 86 p 3

[Article by Zhang Huaiyu [1728 2037 3254] and Xu Yafei [1776 0068 7236]:
"Improve Macroeconomic Control To Ensure the Continued Development of the
National Economy"]

[Text] The law of social reproduction requires the even, coordinated functioning of the national economy. The law of value and of planning require the proportionate distribution of social labor and the planned organization of social and economic life. All this necessitates the maintenance of balance in the macroeconomy and appropriate controls over microeconomic activities. The present overall price reform calls for consciously maintaining macroeconomic balance and the use of the law of value and other economic levers in the microeconomy, taking administrative and legal measures when necessary to effectively control and interfere, to enable the entire economy to automatically adjust itself to a lively but not disordered fashion and to advance in an organized manner.

Macroeconomic balance requires, first, a basic balance between social supply and general demand, that is, a balance between the overall social product and social consumption. This is the most fundamental prerequisite in the smooth functioning of social and economic life. When supply is greater than demand, waste of public wealth occurs; when demand is greater than supply, there are shortages of goods and materials, commodity prices rise and needs involved in production and in daily life cannot be met. This should be patently clear. According to economic principle, overall social supply refers to society's net production output value in a given year, plus the cash surplus from the year before, minus the amount of value on reserve for the following year. It is the overall volume provided for social consumption (this includes both consumption involved in production and in livelihood). In China we usually compute this according to the national economy. Overall demand refers to the demand based upon the ability to pay and refers to the sum of all expenditures. In China we generally calculate this in terms of the sum of accumulation and consumption. The balance between overall social demand and supply refers to the balance of the magnitude of value; and represents the balance of the magnitude of value between the demands based upon the ability to pay and the overall production of that society can supply. Recently, there has been a debate in Chinese economic circles regarding the problem of macroeconomic control, or more specifically, how to dispose of and deal with the interrelated problems of overall social supply and demand, macroeconomic

controls and economic reform. In the CPC Central Committee's proposals for the Seventh 5-year Plan and in Premier Zhao Ziyang's explanation of it, a clear answer has been given: The reform requires both a free environment and a definite speed. However the speed cannot be too rapid, and the term "free environment" is a relative one. We cannot wait until all conditions have been met, a buyer's market has been formed and the environment has been put into perfect order to begin the reform. We can, however, achieve a basic balance between overall demand and supply via reform which would create a buyer's market in which supply is slightly greater than demand.

In view of China's current national conditions, the focal point of the readjustment of the balance of overall social supply and demand lies in the adjustment and control of demand. Overall social demand is derived from three sources--one is enterprise expenditure; the second is state financial outlay, and the third is credit expenditure. Under usual conditions, enterprise and state financial expenditures remain within the limits of income. Without credit support from the banks, overspending is unlikely. Enterprise overspending relies on bank credit, without which the enterprise has no money to spend. Governmental overspending is caused by deficit spending, credit, and the overissuance of currency, three methods which stimulate inflated demand and cause demand to be greater than supply. Credit will inflate by itself, when credit exceeds savings, and when there exists said credit in the absence of savings. All this can form a total volume of currency that can pay for the overall demands, to exceed the total value that can be supplied by social commodities and an overdistribution of the national income. Therefore, controlling the scope of credit and the issuance of currency are key measures in the macroeconomic control over the balance of overall supply and demand.

Second, the disposition of accumulation and consumption must be appropriate. This involves two problems: One is the necessity for an adequate ratio between accumulation and consumption. Accumulation cannot squeeze out consumption, and consumption cannot be undertaken without regard for national construction. Expanded socialist reproduction must be ensured. Excessively high or low rates of accumulation or consumption are not appropriate, a fact concerning which we have learned a painful lesson. This is an important problem that relates to macroeconomic balance. An overly large scope of investment in fixed assets creates shortages of goods and materials and the inflation of credit. Work on key construction projects cannot be guaranteed, basic industries, such as energy, communications, transportation, posts and raw materials, get short-changed and the entire national economy is characterized by shortages, all of which are detrimental to the sustained, steady, coordinated development of the reform and the national economy. To deal with this, it is necessary, in addition to utilizing the method of compensated investment, to also take some direct and indirect measures to control the overall scope of fixed-asset investment, especially extra-budgetary expenditures. These control methods must be solid and effective ones.

The second problem involves preventing accumulation and consumption from exceeding the national income and overall supply. To control the overall scope of accumulation requires control over the overall scope of consumption. China is a socialist nation, and the constant elevation of the people's living standards is a goal of socialist production and a fundamental principle

in our economic work. However, China is also a developing nation, and the elevation of living standards cannot become divorced from the development of production, actual economic conditions, and China's national characteristics. Blindly seeking after high consumption, the unrestricted increase of wages, indiscriminate issuance of bonuses and increases in social welfare measures are wrong and will inevitably lead to the inflation of consumption, which will effect the balance between overall social demand and supply. The state should improve direct and indirect management over wage funds so that the growth rate of wages remains lower than the rate of increase in labor productivity.

The foundation of macroeconomic balance involves balanced finances, credit, goods and materials, and foreign exchange. Once these four categories are balanced, overall supply and demand can be controlled, accumulation and consumption can be adequately disposed of, and all departments of the national economy can be developed in a coordinated fashion. From the macroeconomic point of view, this requires a rational ratio and balanced coordination for all departments, industries, and construction projects, a reasonable disposition of social labor and automatic adjustment and control on the part of all economic mechanisms, in particular the indirect control of the macroeconomy over the microeconomy.

Improving indirect macroeconomic adjustment over microeconomic activities is critical. Recently, due to the reduction of the scope of the directive-type economic planning and direct administrative interference and the poor start of the indirect utilization of the regulatory role of economic mechanisms, the newly built system was incomplete and control was lost over the scope of fixed-asset investment, consumer funds, credit, and the issuance of currency, which caused fairly large increases in commodity prices. This has provided us a negative object lesson in the importance of macroeconomic control and regulation over the microeconomy. In its proposal, the Central Committee stressed that great efforts must be made to improve the ability of the state to indirectly control all economic activities, and to energetically strengthen and perfect systems and methods of indirect control. It also pointed out that the reduction of the scope, level and plans of direct control over microeconomic activities should be in accord with the state's ability to improve indirect controls. This is of great significance, as the Central Committee also regards the adherence to maintaining a macroeconomic balance between overall social demand and supply as a fundamental, vital guiding principle in the economic work entailed in the Seventh 5-year Plan.

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ECONOMIC MANAGEMENT

ON INCREASING MANAGEMENT OF ECONOMIC CONTRACTS

Beijing RENMIN RIBAO in Chinese 10 Mar 86 p 4

[Article by Fang Chu [2455 0443]: "Strengthen Management of Economic Contracts"]

[Text] In recent years, among legal entities, between legal entities and individual management operations, and between citizens, in order to enact a definite economic purpose, many people have drawn up economic contracts. It is indeed a happy phenomenon that people are resorting to legal means in managing the economy. Yet based on the numerous cases of dispute over economic contracts, control over economic contracts must be enhanced so as to protect the legal rights of parties to a contract and to maintain order in the socialist economy.

An economic contract is a kind of economic device to effectuate the exchange of goods and is a kind of legal binding that clarifies the rights to be enjoyed and the duties to be borne by the concerned parties. Economic contract law stipulates that when establishing a contract, the principle of legality must be respected and that the contract cannot run counter to the nation's laws and policies. After a contract is established, parties to the contract are under legal restraints and must fully carry it out. He who defies it must bear the consequences of that violation. Judging from current cases "within the scope of legal institutions," there are quite a few units that have a superficial notion of the legal system and fail to recognize the legal effectiveness of a contract. This is mainly manifested in the following ways: 1. The establishment of illegal contracts. Some units basically fail to fully honor the contract and even sign contracts with others; others use contracts to carry out fraudulent activities. 2. Contracts are not carried out after their creation and some are even torn up. 3. Rulings of the People's Court in cases of economic disputes are difficult to execute. This illustrates the necessity of bolstering management of economic contracts. At the same time, it also demands that agencies whose function is to administer the government, manage industry and commerce, and issue bank credit must strictly follow through with their professional responsibilities. Business licensing must also be strictly controlled. Contracts must be diligently examined if they are going to be established. Illegal activities such as bogus contracts, the use of contracts for fraudulent sales or purchases, and the transfer of contracts in order to reap an undeserved gain must be resolutely dealt with according

to the law. Judgements, rulings and mediated settlements reached by the People's Court in cases of economic disputes must be carried out.

In dealing with economic contract disputes, attention must be focused on discovering and attacking illegal economic activities. Regardless of what level of an organization or what level a cadre is implicated, cases must be conscientiously investigated. The criminally negligent must be investigated and held accountable, and economic penalties cannot be substituted for criminal penalties. Neither party nor government discipline can be substituted for punishment according to the law. Proven economic crimes cannot be treated as mere evil winds and crimes involving dereliction of duty cannot be treated as mere bureaucratism. By no means can economic criminals be let off the hook.

13030/12781

CSO: 4006/842

QINGHAI LEADER CALLS FOR PROMOTING LATERAL TIES

HK010649 Xining Qinghai Provincial Service in Mandarin 2230 GMT 31 May 86

[Excerpts] The provincial government held a mobilization meeting in Xining on 31 May, calling on all areas, departments, and enterprises in the province to enhance understanding and speed up the establishment of lateral economic ties. Leaders of the provincial CPC Committee and government including Song Ruixiang, Liu Feng, Bian Yaowu, and Wu Chengzhi attended the meeting. (Yang Shouru), director of the Hangzhou City Economic Research Institute, was also invited to attend.

Vice Governor Wu Chengzhi delivered a mobilization report. He reviewed the province's achievements in establishing lateral economic ties in recent years and pointed out [words indistinct]. He said: Compared with fraternal provinces and regions, Qinghai lags far behind in the establishment of lateral economic ties. We are only in the initial stage. There are many imposed ties between enterprises but not many voluntary ties. Some enterprises still have the idea that they will get the worst of it if they establish lateral ties with others.

He expressed the hope that all areas, departments, and enterprises would unify their thinking and gain further understanding of the importance of lateral economic ties. They should eliminate the fear that, after establishing ties, large enterprises will have extra burdens to carry while small ones will be swallowed up. They should eliminate the mentality of only being concerned with their own development and being unwilling to help others. The question of the economic results relationships of all parties in lateral economic ties must be properly handled.

Wu Chengzhi said that Qinghai's lateral economic ties should be focused on exploiting its strong-point resources and on the in-depth processing of raw materials. It is also necessary to improve product quality and develop new products. The focal points in lateral ties this year are the processing of clothing and the direct supply of materials for woolen textiles.

/6091

CSO: 4006/1096

ECONOMIC MANAGEMENT

GANSU MEETING DISCUSSES ECONOMIC WORK TASKS

HK100333 Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 9 Jun 86

[Excerpts] The provincial government held a telephone conference on the evening of 9 June to make specific arrangements for the province's economic work in the next 4 months. Governor Jia Zhijie presided.

Vice Governor Zhang Wule made a speech. He said: The province's industrial production this year is facing a serious situation of squeeze at both ends and tension in the middle. One end is that, although industrial output in the previous 5 months rose somewhat compared with the same period last year, it did not keep up with the rate of progress required by the plan, thus putting more pressure on future work. The other end is that production in the fourth quarter will be affected by power shortage. This means that the tasks will all be concentrated in the middle 4 months of the year. This requires that production plans be arranged ahead of schedule and that work make rapid progress.

To ensure the fulfillment of production plans, the provincial authorities have acted in a coordinated way and tapped potentials to ensure that there will be no power restrictions in the next 4 months and that communications and transport can be assured. At the same time, we have collected 5,000 tons of steel plus a monthly 70 to 80 million yuan in floating capital to meet urgent requirements in production.

Zhang Wule said: The next 4 months are the key period for fulfilling the year's plans. We must have a sense of urgency and persevere in a scientific, truth-seeking approach in our work.

He pointed out: The enterprises must unswervingly implement the plant manager responsibility system and delegate the managers' powers to them. Enterprises that have not yet done this must do so as soon as possible, and those where the managers' powers have been taken away must restore them. In exercising their powers, the managers must listen as much as possible to the opinions of various sectors, to reduce disputes and mistakes to the minimum. Attention must be paid to solving any policy problems that arise in reforms.

Vice Governor Lu Ming put forward views on arrangements for agricultural work. He said: We must continue to fight drought and other natural disasters, and also get a good grasp of autumn sowing and of agricultural construction, to create good conditions for next year's production.

ECONOMIC MANAGEMENT

XUE MUQIAO DISCUSSES INDIVIDUAL ECONOMY

Beijing JINGJIXUE ZHOUBAO in Chinese 20 Jan 86 p 1

[Article by Tan Rongyao [6223 2837 1031]: "Xue Muqiao [5641 2550 2890] on Individual Economy in Zhejiang"]

[Text] Noted economist Xue Muqiao, along with an involved comrade from Zhejiang Province, recently studied development of Wenzhou's rural commodity economy. He has several opinions concerning the question of the individual economy.

Xue Muqiao said that currently China's individual economy is growing faster than the collective economy, and that the collective economy is growing faster than the state economy. The explanation for this is two-sided: First is that production and business are thriving more in the individual than in collective economy, and more in the collective economy than in the state economy. Second, the burdens are inequitable; individual and collective responsibilities are universally lighter than those for the state. Also, most of the profits retained by individuals and collectives they themselves can utilize to expand production. The rise of an individual economy really is not all that frightening. The problem is to get the individual, the collective, and the state competing along the same lines. State enterprises cannot be managed too oppressively nor too stringently. In bringing forth modernization, it is important for there to be a suitable dependence on state enterprises, yet currently state-run enterprises are not competitive with the individual or the collective economy. The nation must strengthen management of the individual economy. Special regulations regarding tax collection must be considered in dealing with Wenzhou's individual rural economy. At the same time, the administrative government's commercial and industrial management departments must be strengthened, as should the tax department. To be sure, the thinking and working style of these market management structures must be upright and only then can taxes be collected. Otherwise, if these structures are somehow connected with individual enterprises, the market will be difficult to manage. Money received illegally by these structures must be confiscated and brought to a halt. Yet by stressing management of the individual economy, and emphasizing that the individual, collective and state economies must compete along the same lines, will this not result in the individual and collective economies being squeezed out? The answer is that it will not. In the future, state enterprises will mainly be involved in large-volume production, making products that require high technology: It will not be

involved in anything and everything. The state enterprises will leave small commodities and lower volume production for collectives and individuals to handle. In this way, the state, the collective, and the individual can grow in tandem, and at the same time this would preserve the leading role of the state economy.

Regarding the question of hiring among rural individual enterprises, Xue Muqiao said that when he was investigating the Pujiang region of Fujian, he discovered a family-run factory that employed more than 200 people. In 1 year it made between 300,000 and 500,000 yuan in profit; it was also able to export its products and bring in foreign exchange. This kind of factory cannot be prohibited. Because first off, if it were shut down, many people would lose their jobs. Second, society requires exports that create foreign exchange. However, if these types of factories can attract and inspire workers to become stock holders and collect dividends, paving the way toward a joint stock economy, then by all means they cannot be suppressed. If workers invest in stock, then 300 or 400 workers is acceptable. But in general these factories only employ about 100 workers, which explains why these family-operated plants produce items which meet market demand. This method is applicable in Wenzhou. All in all, regarding the hiring question, China does not require a single practice, nor does she require a single policy.

Private banks are illegal under Chinese law. But if rural credit unions are not restructured or invigorated, then private banks cannot be banned; if the main route is not wide enough, then the backroads must remain viable. China's exchange rate was very weak in the past, with the HK dollar officially pegged at 0.3 RMB. But on the black market it rose to 0.8 RMB and it could not be halted. Later the posted rate was adjusted and the black market rate fell off. At present, prices, interest rates, tax rates and exchange rates are all very weak. Wenzhou must find a set of special policies adjusted to the special characteristics of Wenzhou's economic development. For example, credit unions could establish a floating interest rate. But if credit unions are not given a shot in the arm, private banks cannot be outlawed, for if they were, production and the circulation of goods would be hindered.

Xue Muqiao says that China must push for the development of the state economy, but it must not negate the function of the individual economy. Development of an individual economy is an essential way to expand the rural commodity economy. It is a product of the initial phase of industrialization, so we must take it seriously and promote its healthy development.

13030/12781
CSO: 4006/842

ECONOMIC MANAGEMENT

SHANDONG'S LIANG BUTING ATTENDS INDUSTRIAL PRODUCTION MEETING

SK050953 Jinan DAZHONG RIBAO in Chinese 21 May 86 p 1

[Text] The provincial industrial and communications production conference was held in Taian City from 16 to 18 May. The conference focused on studying the issues of how to solve the problem whereby industrial production shows decline in the third quarter of the year, how to reverse the situation in which some products are poor in quality, how to reduce consumption, and how to raise the economic results. The conference called for efforts to grasp reform; to further arouse the enthusiasm of the enterprises, staff members and workers, and the localities; and to strive to maintain an appropriate growth rate in this year's industrial production.

Attending the conference were more than 120 people, including chairmen of the city and prefectural economic commissions; responsible comrades of the provincial-level industrial, communications, financial and trade departments and bureaus; and responsible comrades of some enterprises.

Liang Buting, secretary of the provincial CPC Committee; Gao Changli, Standing Committee member and secretary general of the provincial CPC Committee; and Ma Shizhong, vice governor of the provincial government, attended the conference. Comrades Liang Buting and Ma Shizhong respectively delivered speeches at the conference.

After analyzing the situation of the industrial production in the first 4 months of this year, the conference held that the province's industrial production situation in this period was generally good. The cities where industries are concentrated registered a substantial increase in industrial production. The production of daily consumer goods, raw materials, and electricity increased with comparatively fast speed. Town- and township-run industrial enterprises and village-run industrial enterprises maintained a higher production growth rate. The increases in the income of the industrial enterprises and the profits and taxes handed over to the higher levels by these enterprises were higher than the increase in industrial production. Local industrial enterprises registered notable increase in creating foreign exchange through export. The prominent problems in the current industrial production are as follows: The quality of products is not stable enough. The consumption of raw materials is relatively high, and the production cost is rising. The situation in safety production is not good.

The conference pointed out: In order to maintain an appropriate production growth rate on the premise of raising the economic results, the industrial and communications front should grasp the following few tasks at present: 1) Seek unity of thinking, have firm confidence, and conscientiously solve the problem whereby industrial production shows decline in the third quarter of the year. After viewing the historical situation, we have come to know that the industrial production in the third quarter of the year was less than that in the second quarter. So, we must take effective measures to change this situation this year. In accordance with the demand of making the production in the third quarter not less than that in the second quarter, we should give priority to supplying raw materials, energy resources, and funds and rendering transportation service to the enterprises producing readily marketable products and to those with capacity to increase their production, and try every possible means to increase the industrial production. The problems that can bring greater impact on the production should be solved conscientiously. We should make good arrangements for examining and repairing the equipment in an effort to shorten the time for examination and repair. 2) Rapidly solve the problem whereby the quality of some products becomes poorer and poorer. We should immediately launch a provincial-wide drive for examining the quality of products. Defined responsibility for ensuring product quality should be involved in the economic responsibility system. No bonuses shall be granted to staff members and workers of the enterprises who fail to attain the quality targets. 3) Firmly grasp the work of reducing consumption and vigorously raise the economic results. We should resolutely carry out the policies on saving and reducing consumption. We should adopt measures for strengthening management and conducting technological transformation to reduce the consumption of goods and materials.

The conference stressed: We should make achievements in reform in order to facilitate industrial production. At the time when the old system is being replaced by a new one, we should transfer the power to handle certain problems to the cities, prefectures and enterprises in order to bring into full play the enthusiasm of the workers, enterprises, and localities. We should firmly implement the economic contract responsibility system and safeguard the dignity of the system. We should carry out on a trial basis the system of factory heads taking the responsibility for the operation of the factories, and pay attention to drawing a clear distinction between the regular management activities of the enterprises and the unhealthy practices.

/6091

CSO: 4006/1096

3 July 1986

ECONOMIC MANAGEMENT

BRIEFS

COOPERATIVE ORGANIZATIONS PRODUCTIVITY--Beijing, May 31 (XINHUA)--China has set up 20 trans-regional economic cooperative organizations, an official of the State Planning Commission has stated. These organizations make full use of local natural resources, promote productivity and encourage enterprise cooperation. There are three types of trans-regional cooperation, the official said. One is made of administrative regions such as the Shanghai and northeast China economic zones and cooperative zones in southwest, south, northwest, north China; one covers neighboring areas, like the Huaihai economic zone which consists of 15 prefectures and cities in Jiangsu, Anhui, Henan and Shandong provinces; and the third is among cities as the city economic combine made up of Shanghai, Nanjing, Wuhan and Chongqing along the Yangtze River valley. The northeast China economic zone, the official said, consists of Liaoning, Jilin and Heilongjiang provinces and east Inner Mongolia autonomous region. More than 4,000 agreements on transportation, energy and raw material development have been concluded over the past 2 years. These items will help generate additional output value of more than three billion yuan a year. The zone has turned out coal, cement, rolled steel, timber and glass and opened 32 trunk highways to link the provinces and region. [Text] [Beijing XINHUA in English 0542 GMT 31 May 86 OW] /8918

GANSU: NEW CONCEPTS, REFORMS IN COMMERCE--Li Ziqi said in a speech at a provincial conference of commerce bureau chiefs on 6 June that commerce workers should establish new concepts and promote the development of reforms. After reviewing the achievements in reform, Li Ziqi pointed out that the comrades at all levels and of all departments must put reform in the first place, strive to create a political situation of harmony and concord, create an excellent environment for the reformers, and protect and perfect their reform work. On commerce reforms, Li Ziqi said that it is necessary to embrace the following concepts: 1) Firmly embrace the concept of providing guidance for production, services, and consumption, and oppose the idea of business purely for the sake of business. 2) Firmly embrace the concept of putting service quality first. 3) Embrace the concept of competition. This year we must start with the key cities in reducing the number of links in the wholesale chain, and develop new links in conjunction with competition. 4) Firmly embrace the concept of economic results. [Excerpts] [Lanzhou Gansu Provincial Service in Mandarin 2200 GMT 6 Jun 86 HK] /6091

DEFENSE INDUSTRIES AID CIVILIAN ENTERPRISES--Shaanxi's defense industries, long in an isolated role, have in recent years turned over a new leaf and have been actively aiding county and township and town enterprises, thus contributing to the invigoration of the local economy. Currently, among the 128 enterprises and facilities, 75 defense industry enterprises and county, and township and town enterprises from 34 counties have set up cooperative efforts. According to a recent survey of 23 enterprises, within the entire system more than 500 technicians of various kinds have been trained in local enterprises below the county level, more than 300 pieces of various equipment have been transferred, and more than 300 tons of various raw materials in short supply have been supplied. Consequently, the technological and managerial level of these enterprises has improved significantly. [Text] [Xian SHAANXI RIBAO in Chinese 15 Feb 86 p 1] 13030/12781

CSO: 4006/842

FINANCE AND BANKING

FINANCIER DISCUSSES FOREIGN EXCHANGE CERTIFICATE ABOLITION

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 14, 14 Apr 86
p 23

[Interview by reporter: "Wu Nianlu [0702 1819 7627], Acting Director, International Finance Institute of the Bank of China, Comments on the Abolition of Foreign Exchange Certificates and Other Financial Matters"; date and place not given]

[Text] Wu Nianlu, acting director of the International Finance Institute of the Bank of China, who attended the "Chinese Foreign Trade and Investment Conference" recently held in Hong Kong, commented on and supplied answers to questions concerning China's currency and financial problems, some of which are of considerable interest to overseas readers. With a view to ensuring the accuracy of what he had said at the conference, the reporter called on Mr Wu with the request that he supply answers to the questions that follow.

[Question] When do you think foreign exchange certificates will be abolished?

[Answer] Once preparatory work has been completed, the People's Bank and the concerned financial authorities will announce the exact date for the abolition of foreign exchange certificates. The question was asked by some reporters at the conference whether it will come only after 1990. My personal opinion is that it will not. As to how long the preparatory work will take, I do not have the answer since the International Finance Institute of the Bank of China is taking no part in the preparatory work.

[Question] Will the Bank of China continue to engage in foreign exchange adjustment operations? A foreign exchange adjustment center has already been set up in Shenzhen. Will such centers be established in other regions?

[Answer] With the approval of the State Administration of Exchange Control of the People's Bank, the Bank of China has been engaging in foreign exchange adjustment operations in recent years. The purpose of such operations is to invigorate foreign trade and foreign exchange funds and to make full use of such funds, so that the departments, enterprises and units with surplus foreign exchange reserves may make such surplus funds available to units which are short of foreign exchange and in urgent need of such funds. The adjusted price for such funds is 10 percent higher than the list price. In view of the excess of demand over supply, such operations were virtually

brought to a halt last year. The resumption of such operations is currently under consideration. To offer an incentive to sellers, the adjusted price is likely to be set at more than 10 percent over the list price. The resumption of foreign exchange adjustment operations will serve to promote import and export trade and lateral economic relations. The establishment of a foreign exchange adjustment center in Shenzhen does not mean, however, that such centers will be set up throughout the nation. In fact, the Bank of China has given no consideration to the setting up of such centers. The policy and principle of foreign exchange adjustment are set by the State Administration of Exchange Control.

[Question] Would you comment on the situation relating to the raising of funds by the selling of bonds and tell us about future plans?

[Answer] From January 1982 to February 1986, China issued 15 bonds of various types in Japan, Western Europe and Hong Kong amounting to some \$1,226,000,000. During the last 10 days of March 1986, the Bank of China issued change-over U.S. dollar bonds in Japan amounting to 20 million yen. In April or a little later, bonds may possibly be issued again in Japan. Specific figures and conditions are not yet known. In the future, we shall give further consideration to the issuance of various types of bonds in Japan, Western Europe, Hong Kong, Singapore and the United States. However, the issuance of bonds in foreign countries has to have the approval of the State Administration of Exchange Control of the People's Bank.

[Question] Please comment on the problem arising from the failure of the branches and subbranches of the Bank of China to make payment for letters of credit in fulfillment of their obligations.

[Answer] Last year, there were isolated instances where certain domestic branches and subbranches of the Bank of China delayed payment for nonwith-drawable letters of credit issued by the bank even when the documents tallied with the certificates. Although the number of such instances was extremely small, the prestige of the bank has suffered as a result. The Bank of China is a specialized bank engaged in foreign exchange operations and enjoys considerable international prestige. In the future, the Bank of China must fulfill its obligation to make payment for such letters of credit it has issued so long as the documents tally with the certificates regardless of whether or not the importers are able to make payment under whatever circumstances. In that regard, businessmen in Hong Kong can set their minds at rest.

[Question] What is your impression of your visit to Hong Kong?

[Answer] I am extremely gratified to have had the opportunity to participate in the "Chinese Foreign Trade and Investment Conference" sponsored by the Trade Development Bureau and the International Trade Information and Research Center and to have made the acquaintance of a number of friends in industrial and commercial circles as well as newspaper reporters in Hong Kong. With the further reform of China's economic structure and the progress made in the legislative system, the open door policy is bound to be further extended. The current economic situation in China is extremely favorable. I am convinced that the prospects of Hong Kong are extremely bright for developing economic and trade relations and for making investments in China.

Finally, permit me to express my heartfelt appreciation to the Hong Kong ECONOMIC REPORTER for having reported accurately my answers to questions put to me by members of the audience and reporters during the course of the conference.

FINANCE AND BANKING

BANK OFFICIAL URGES CHANGES IN INTEREST RATE SYSTEM

Hong Kong TA KUNG PAO in Chinese 20 Mar 86 p 3

[Article: "Bank Official Says the Reform of China's Banking System Calls for Changes in the Interest Rate"]

[Text] In his address to a discussion meeting on "The Reform of China's Banking System" sponsored by the Asian Research Center of the University of Hong Kong yesterday, Zhao Haikuan [6392 3189 1401], director of the Finance Research Center of the People's Bank of China, pointed out that whether it is possible to invigorate banking operations in China and to exercise macro-economic control over China's finances hinges on whether the entrepreneurial type of management is adopted by the specialized banks in China.

Reporters were told that China would consider the establishment of a few additional specialized banks.

In his address entitled "A Discussion of the Reform of China's Banking System," Zhao stated that in order to make it possible for specialized banks to adopt the entrepreneurial type of management, it would be necessary to establish proper coordination between the profits accruing to specialized banks and to the nation as a whole.

He pointed out that, according to the present system, a higher interest rate is set by the state for long-term fixed savings deposits in order to encourage people to take an active interest in making savings deposits, to turn consumption funds into production funds, to increase the amount of construction funds, to defer the recall of that part of the currency as represented by purchasing power, and to adjust properly the circulation of currency in the market. He added that although the setting of a higher interest rate for such deposits is of benefit to the nation as a whole, it has also created accounting problems for specialized banks.

Zhao stated that since the interest rate for savings deposits over the fixed period of 3 years was higher than that for circulating fund loans, the specialized banks would suffer losses by taking in such deposits. As regards bank loans, it is stipulated by the state that a lower interest rate should be charged for enterprises whose operations are well managed, which incur low cost, and whose funds are circulated at a rapid rate, or whose products are of vital importance. A higher interest rate is charged for enterprises which fail to meet the above conditions.

He revealed that while the increase in the number of enterprises whose operations are well managed and the decrease in the number of those whose operations are poorly managed served to increase macroeconomic effectiveness, the income of banks derived from interest payments would be reduced. Conversely, the reduction in the number of enterprises whose operations are well managed and the increase in the number of those whose operations are poorly managed would increase the income of banks derived from the same sources.

Zhao made the observation that, under this interest rate system, the adoption of the entrepreneurial type of management by specialized banks would induce the banks to relax their efforts to absorb long-term fixed savings deposits, to increase the extension of loans bearing a high interest rate, and to reduce the amount of loans for economic construction projects of major significance to the state for which loans should be extended at a preferential rate, thus setting back the economic construction of the state.

To resolve the anomaly mentioned above, he said that it would be necessary, circumstances permitting, to make basic changes in the present interest rate system, that the Central Bank should concern itself with setting the basic interest rate and the range of fluctuations and that specialized banks should be permitted to set specific interest rates within that range. Before such changes are made in the interest rate system, the Central Bank should draw up measures for adjusting the interest rate so that the benefits accruing to specialized banks for absorbing and utilizing credit loan funds may also prove to be of benefit to the nation as a whole.

Zhao expressed the opinion that, aside from taking the above into consideration in reforming the system of domestic banks, economic measures should also be used to strengthen the macroscopic financial system, to further enlarge the scope of banking operations, to increase the types of banking services and to enlarge the authority of banks at the basic level.

9621/12859

CSO: 4006/961

FINANCE AND BANKING

CHINA'S FINANCIAL STATISTICS FOR 3D QUARTER 1985 REPORTED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 12, 4 Dec 85 p 37

[Text] TABLE 1. STATE REVENUES AND EXPENDITURES
(Unit: 100 million RMB yuan)

Items	Balance at the end of third quarter
Itemized savings	3,577.89
Enterprise	1,355.82
State treasury	388.30
Capital construction	213.70
Government departments and institutions	308.93
Urban individuals	991.86
Rural individuals	319.28
Liabilities to international financial organizations	76.39
Currency in circulation	827.12
Bank free capital	612.60
Carry-over balance in the present year	69.08
Miscellaneous	94.90
TOTAL REVENUE	5,257.98
Itemized loans	4,710.08
Industrial production enterprises	956.82
Industrial supply enterprises and materials department	338.34
Commercial	2,298.87
Equipments (medium or short term)	371.97
Urban collectives and private business	314.20
Advance payments	6.93
State farms	57.38
Rural collectives	365.57
Gold transactions	12.04
Foreign currency transactions	119.99
Assets in international financial organizations	83.78
State treasury loan	275.78
Miscellaneous	56.31
TOTAL EXPENDITURES	5,257.98

Table 2. RURAL CREDIT COOPERATIVES: SAVINGS AND LOANS
(Unit: 100 million RMB yuan)

Items	Balance at the end of third quarter
Itemized savings	654.37
Farm collectives	59.61
Township and town enterprises	62.47
Individual commune members	518.01
Miscellaneous	14.28
Itemized loans	468.91
Farm collectives	46.71
Township and town enterprises	164.20
Individual commune members	258.00

Table 3. EXCHANGE RATE, GOLD AND FOREIGN EXCHANGE RESERVES AND FOREIGN DEBT

Items	July	August	September
Exchange rate :			
One special drawing rights unit -- RMB yuan (at the end of the period)	2.9853	3.0244	3.1444
One US dollar -- RMB yuan (at the end of the period)	2.8778	2.9211	2.9681
One US dollar -- RMB yuan (average)	2.8738	2.9023	2.9626
Gold reserves (in 10,000 ounces)	1,267	1,267	1,267
Total foreign exchange reserves (in \$100 million)	119.57	114.60	125.92
Of this: Reserve in State treasury	44.52	38.44	33.77
Foreign exchange balance of the Bank of China	75.05	76.16	92.16
State foreign debt (in \$100 million)	43.13	43.93	44.87

9335
CSO: 4006/541

BRIEFS

FINLAND DEVELOPMENT LOAN--Helsinki, June 5 (XINHUA)--Finland has decided to grant a 50 million Finnish markka (U.S. \$9.6 million) long-term low-interest development loan to China, the Finnish Government announced today. The loan, the first of its kind, has a 25-year repayment term with a 7 year grace period and an annual interest rate of 0.75 percent. Eighty percent of the loan will be for development projects in which Finland will take part. These include modernizing a Guangzhou pulp and paper mill and the chemical fertilizer production line of a phosphate fertilizer plant in Hubei Province. At the same time, Finland also announced a 30 million Finnish markka (U.S. \$5.8 million) development loan to Cameroon. [Text] [Beijing XINHUA in English 1157 GMT 6 Jun 86 OW] /8918

CSO: 4020/349

INDUSTRY

HU PING REPORTS ON FUJIAN INDUSTRIAL DEVELOPMENT

OW090831 Fuzhou FUJIAN RIBAO in Chinese 16 May 86 p 2

[Text] In his report at the Fifth Session of the Sixth Fujian Provincial People's Congress, Governor Hu Ping said: Developing industry is the key to enhancing economic strength and quickening the pace of the four modernizations. During the Seventh 5-Year Plan period, we must strive to develop industrial production in the province at a quick tempo, while placing emphasis on economic efficiency and rational readjustment of the industrial structure. According to the draft plan, the total value of industrial output may reach 25 billion yuan by 1990, marking an average increase of 8.6 percent per year, with output value of light industry increasing by 9 percent and heavy industry by 8 percent per year. This target is not excessively high, and we may even exceed it.

Hu Ping pointed out: In increasing industrial production in Fujian, we achieve our goal mainly by developing technology, improving management, raising production quality, reducing raw material consumption, and increasing economic efficiency. During the Seventh 5-Year Plan period, we must help our existing enterprises increase production by rapidly importing advanced technology, strengthening quality control, and setting up a system that ensures high production quality and reduces energy and raw material consumption. We must further strengthen our basic management work, upgrade enterprise management, and continuously improve the quality of our enterprises.

Hu Ping said: It is necessary to vigorously readjust the industrial setup. 1) We must strengthen our efforts in producing raw materials, including metal and chemical materials as well as construction materials. We must also step up industrial construction; carry out technical innovations at the Sanming iron and steel mill, the Sanming chemical plant, the No 2 Fuzhou chemical plant, and other major factories; and accelerate construction of key projects such as the Shunchang cement works. 2) We must vigorously increase production of consumer goods that are readily marketable so as to meet the people's ever increasing demands. We must effectively restrict the production of goods which are in full or excessive supply, and guard against duplicate construction projects. 3) We must adopt effective measures to enlarge our capabilities in producing export merchandise and developing new products. While continuously developing canned goods, tea, shoes, resin, and other high-quality products, we must also turn out more toys,

jewelry, paper, ceramics, construction materials, electric motors, tungsten, tungsten products, and other products for export, and make our export-oriented manufactured goods even more competitive.

Hu Ping said: Energy and communications are prerequisites in developing the national economy and the foundation in preparing for sustained future development. In the draft plan, we have given top priority to developing energy production, communications, and construction and striven to attain an even more rapid progress.

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CS0; 4006/1094

INDUSTRY

SICHUAN GOVERNMENT URGES INDUSTRIAL PRODUCTION

HK051104 Chengdu Sichuan Provincial Service in Mandarin 0930 GMT 4 Jun 86

[Excerpts] The provincial people's government has put forward specific demands on our province's industrial production in June. It is necessary firmly to grasp the golden season of industrial production, to take measures, to make sustained and redoubled efforts, and to do well in grasping industrial production in June.

In view of this, the provincial government has demanded that all places, departments, and enterprises seriously do well the following aspects of work:

1. It is necessary to clearly understand the situation, to heighten understanding, to determine the target of struggle, and to formulate measures for production. We must see the favorable conditions that supply of hydro-electricity has increased, floating capital [words indistinct] and production has increased. We must also see that the speed of increase in our province's industrial production is still slower than the national average and the tasks for June and the second half of this year are very arduous. We must by no means lower our guard. We just race against time, make up past deficiencies and strive to overfulfill our production quotas.
2. It is essential to do well in grasping the implementation of all policies. The provincial government and relevant departments at the provincial level have recently formulated and issued some policies and regulations on the promotion of reform and production. All places must seriously disseminate and implement them. Of these, the main ones are the enterprises' system of economic responsibility, the system of factory director assuming some responsibility, and the system of factory director assuming responsibility for the fulfillment of the quota during his tenure of office. We must really delegate to enterprises the power that should be given to them.
3. It is imperative to grasp the quality of products and to raise economic results. The quality of some industrial products of our province has dropped. Relevant departments have recently supervised the quality of some 400 products, nearly half of which do not meet the standard. The attention of relevant departments and enterprises must be drawn to this. Enterprises whose products do not meet the standard must carry out consolidation in a specified period. They must take effective measures to improve quality as soon as possible.

4. It is necessary to do well in grasping the production and supply of energy.

All production enterprises must be strict with use of electricity in a planned way in accordance with regulations.

5. It is essential to do well in the sale of products.

All enterprises must work hard to readjust product mix, improve the quality of products, and increase varieties so as to make products marketable, to increase competitive ability, and to expand market. We must free the circulation channels and encourage supply and marketing personnel to vigorously promote the sale of products.

The provincial government has demanded that all places seriously pay attention to safety in production and implement the principle of safety first.

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CSO: 4006/1094

INDUSTRY

NEI MONGGOL HOLDS TELEPHONE CONFERENCE ON PRODUCTION STATUS

SK081340 Hohhot Nei Monggol Regional Service in Mandarin 2200 GMT 7 Jun 86

[Excerpts] On the evening of 7 June, the regional people's government held a telephone conference to sum up the production situation of the industrial and communications fronts in the first 5 months of this year. Liu Zuohui, vice chairman of the regional people's government, presided over and made a speech at the conference.

He said: In the first 5 months of this year, our region's industrial and communications production continued to increase in a sustained, steady, and coordinated manner. The industrial enterprises set a record with regard to the amount of profits and taxes handed over to the higher levels. Thus, the region's revenue in the first 5 months of this year increased by a big margin. The region's total industrial output value increased by 3.1 percent over the corresponding period of last year. The industrial growth rate placed the region in a higher ranking in the country.

The conference made arrangements for the industrial and communications production in the latter half of this year. In the latter half of this year, the industrial and communications front should focus its work on enhancing the vitality of large and medium-sized enterprises; further carrying out the principle of consolidation, digestion, supplementation, and improvement; delegating power to chemical industrial enterprises and streamlining their administrative procedures; and developing lateral economic cooperation. Enterprises should be supported in solving the problem concerning the lack of floating funds, upgrade product quality, vigorously increase the production of readily marketable products to meet the demands of markets, and [words indistinct].

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CSO: 4006/1094

INDUSTRY

BRIEFS

CIVILIAN PRODUCTS FROM DEFENSE INDUSTRIES--According to JIEFANGJUN BAO, our country's scientific and technological units and industrial enterprises for national defense have gradually evolved from primarily producers of military hardware into producers of a wide range of military-civilian products. The output value of civilian products by the national defense industry has come close to half of the gross output value. [Text] [Beijing Domestic Service in Mandarin 2130 GMT 2 Jun 86 OW] /6091

SHAANXI BOOSTS INDUSTRIAL PERFORMANCE--Shaanxi set a new monthly record for industrial output in May. The provincial government has issued a notice demanding that all areas and departments concerned get a good grasp of production in the last 7 months of the year. Last month, the province's prefectures, cities, industrial departments and bureaus, and the departments concerned closely coordinated with and supported each other in creating conditions for the enterprises to increase output. The industrial growth rate increased and there was a marked improvement in economic results. Total output value was 6.3 percent up on April and 4.9 percent up on May 1985. Profit and tax handed over to the state rose by 11.1 percent compared with May 1985. The provincial government's notice demands that all prefectures, cities, and departments persevere in reform and take effective measures to ensure the fulfillment of the industrial production targets for the first half of the year. They should also get a good grasp of producing goods needed in the markets and completing key capital construction and technological transformation projects that are about to go into production, so as to increase the reserve strength for production in the second half of the year. The notice also demands strengthening of control and statistical work in production. The role of statistical work in production policymaking should be brought into full play. [Text] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 7 Jun 86 HK] /6091

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CSO: 4006/1094

CONSTRUCTION

GUANGDONG INCREASES INVESTMENT IN CONSTRUCTION

HK240602 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1253 GMT 22 May 86

[Report: "Guangdong To Increase Investment in Key Construction Projects by More Than 60 Percent This Year"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 22 May (ZHONGGUO XINWEN SHE)--Guangdong Province this year will conduct 37 key construction projects, and the total amount of investments in these projects increases by more than 60 percent over last year.

Guangdong's investment in key construction projects this year amounts to 2.22 billion yuan; last year's figure was some 1.3 billion yuan.

The responsible person of the Guangdong provincial commission for capital construction said: This year, Guangdong Province will speed up construction in the energy industry, transport, and telecommunications. There are 25 key construction projects in these fields, and they involve 1.86 billion yuan of investment, which accounts for 84 percent of the province's total investment.

Among Guangdong's key construction projects this year, 15 are new projects, and the rest are old projects left from last year. The major new projects include Yangpu Harbor on Hainan Island, the Haikou power plant, rebuilding the Huangpu power plant to a coal-fueled plant, building transformer equipment at the Shajia power station, expansion of the Shatou airport, and the high road in the eastern part of Guangzhou city.

Some of the old projects that will be continued this year will be completed and put into operation. The province will increase electricity generation capacity by 215,000 kilowatts and will build 178 kilometers of new railways and 121 kilometers of new transmission lines. In addition, the Xiji coal dock in Huangpu Harbor which has a handling capacity of 4 million tons a year, the 8,000-line program-controlled telephone exchange in Guangzhou, the 20,000-line program-controlled telephone exchange and the 720-line long-distance telephone exchange in Zhuhai city and the Dongshan bridge in Meixian will all be put into use this year.

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CSO: 4006/1094

3 July 1986

CONSTRUCTION

GUANGXI TO PROMOTE WATERWAY CONSTRUCTION

HK091539 Nanning Guangxi Regional Service in Mandarin 1000 GMT 8 Jun 86

[Excerpts] It has been learned from the recent regional conference on waterway work that waterway construction in our region during the Sixth 5-Year Plan period developed relatively greatly and that the prospects for waterway construction during the Seventh 5-Year Plan period are brilliant.

During the Sixth 5-Year Plan period, our region laid stress on harnessing 27 dangerous shoals of the You Jiang, Yu Jiang, Xun Jiang, Xi Jiang, Liu Jiang, and Qian Jiang; completed the work of dredging some 114,000 cubic meters of sand and stones; blew up some 70,000 cubic meters of reefs; cleared some 9,700 cubic meters of residue; built some 31,900 cubic meters of embankments, and maintained some 20,000 cubic meters of banks. At the same time, our region also harnessed some dangerous shoals along its tributaries, including the Zuo Jiang, Rong Jiang, Yong Jiang, He Jiang, and Nanliu Jiang. The completion of this work has played an important part in promoting Guangxi's water transport.

During the Seventh 5-Year Plan period, our region will lay stress on the construction of the Xi Jiang shipping transport facilities, basically complete the Guiping's shipping [words indistinct], harness the waterway from Guixian County to Wuzhou, complete the initial period of construction of Guixian County's shipping [words indistinct], complete the work of harnessing the Li Jiang and dredging 840 km of inland waterways, harness the tributaries, including the He Jiang, Zuo Jiang, and You Jiang, and vigorously demolish some dams which obstruct the waterways. In the Nanning waterway region, it is necessary to solve the bottleneck problem at the waterway section from Xijin to Guixian County. The 107-km low-water waterway from Xijin to Guixian County will increase from 0.9 m to 1.2 m. At the You Jiang, it is essential to lay stress on harnessing three shoals, including (Sanmen), (Naban), and (Jiadaowang). In the Liuzhou waterway region, it is imperative to mainly harness two shoals, (Dashen) and (Zhuantong), and at the (Lema) waterway section of the Qian Jiang.

With regard to maintaining the navigation marks, we must strive to use solar energy navigation mark lights at all navigation marks on the 567.5 km of waterways from Nanning to Wuzhou and along the coasts. In 5 years, we must increase electric navigation mark lights by 550 so that the total number of electric navigation mark lights reaches 1,528.

At the same time, VHF wireless telephone will be used on the entire line from Nanning to Wuzhou, from Guilin to Yangshuo, and along the coasts and a wireless telecommunications network will be established so that information about safe navigation can be promptly supplied to ships.

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CSO: 4006/1094

CONSTRUCTION

BRIEFS

WATER RESERVOIR PROJECT--A huge project for the development of freshwater resources in China's coastal areas--the water diversion project along the Changjiang at the Baoshan steel complex--was completed on 27 May. When Chen Yun, Standing Committee member of the Political Bureau of the CPC Central Committee and first secretary of the Central Discipline Inspection Commission, conducted an inspection tour of the Baoshan steel complex, he named the water reservoir of the water diversion project "Baoshan Lake" and wrote an inscription for it. Before it went through a test run, the water-diversion project had withstood tests by many strong typhoons and shifting tides. After its test run, it once again withstood a water drainage test during the dry season. The water drainage system has proven to be effective, and the quality of the project, excellent. [By Chao Guorong] [Text] [Shanghai JIEFANG RIBAO in Chinese 28 May 86 p 1 OW] /6091

CSO: 4006/1094

FOREIGN TRADE AND INVESTMENT

UTILIZATION OF FOREIGN CAPITAL IN GUANGDONG DISCUSSED

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[Article by Qui Shunping [8002 5293 1627]: "Policy Measures for Utilization of Foreign Capital in Guangdong to Import Technology"]

[Excerpts] Policies are the codes of conduct. Under a system that stresses macroeconomic control, correct macroscopic policies are especially important for reviving the economy. In recent years, the national economy of Guangdong has developed at an annual growth rate of 10 percent and within only a few years a new era in opening up to the outside world has been ushered in. The tremendous strength of the state's "special policies and flexible measures" which have been implemented in Guangdong has been demonstrated. Over the past few years, although Guangdong has gained critical advances in the utilization of foreign capital to import technology and has taken the lead nationally, nevertheless, various inadequacies still exist. Under such circumstances, going back over policy work in the utilization of foreign capital and looking ahead are both beneficial to further promoting the utilization of foreign capital in Guangdong to import technology. This may also provide lessons for other regions on work in this area.

II. Policy Measures for Ushering in a New Era in the Utilization of Foreign Capital in Guangdong To Import Technology

An open door policy will not act as an obstacle to historical trends and the utilization of foreign capital to import technology is a natural result of opening up to the outside world. These past few years Guangdong has obtained great successes in utilizing foreign capital to import technology. At the same time, there have been numerous problems. We must not stand still and refuse to make progress nor should we hesitate to press forward. We must expand further both horizontally and vertically and strive to usher in a new era. We must push the utilization of foreign capital in Guangdong to its limits and march to new heights. The preliminary phase of foreign capital utilization in Guangdong is already coming to an end and the newly developing phase is about to unfold. What should the new tactics be for Guangdong's utilization of foreign capital to import technology during the transition period between the two phases? Below I will discuss several of my opinions.

1. Establish sound rules and regulations for the utilization of foreign capital to import technology and overcome the phenomena of beggars being unable to be choosers in the utilization of foreign capital and deviation from strategic objectives.

It should be noted that during the past few years of utilizing foreign capital to import technology the phenomena of beggars not being choosers and deviating from strategic objectives have been quite widespread and severe. The utilization of foreign capital to import technology should involve orderly actions as well as effective measures for guiding and controlling these actions, that is, a sound system of rules and regulations. China's strategic objective in the utilization of foreign capital to import technology is clear. It is to fully utilize all international economic and technological forces by means of developing foreign economic and technological exchange and cooperation to serve socialist modernization and strengthen China's self-reliance. The realization of this general goal is a long-term task, it cannot be attained in one day. During this period there must be certain goals for each period and separate goals which function as guarantees. This requires that we focus on these goals and consider and formulate procedures for utilizing foreign capital so that this system of rules and regulations becomes standard conduct in the utilization of foreign capital to import technology. The rules and regulations currently in effect are not sufficiently clear and specific and there are loopholes. For instance, in the utilization of foreign capital to import technology, provisions do not clearly specify what may enjoy preferential treatment or what should be restricted. Many policy provisions lack feasibility studies or detailed rules for implementation. Thus many policy provisions are either difficult to really implement or are exploited by some people due to unclear policy limits.

In order to strengthen the political effectiveness of the rules and regulations, concerned departments should unite and assign a specific number of personnel to straighten out the regulations for the utilization of foreign capital to import technology. On this basis, they should review the past few years of actual experience and revise, supplement, perfect, and develop regulations for utilizing foreign capital to import technology. This is fundamental and important task for ushering in a new era in the utilization of foreign capital. In order to carry out this task even more successfully, it is necessary to do the following: (1) While expanding local, departmental and enterprise autonomy in determining policies regarding the use of foreign capital to import technology, it is necessary to strengthen the unified control of policymaking criteria and gradually make policymaking more scientific and standardized. Macroeconomic control departments should strictly ensure policymaking criteria by means of the various regulations. (2) It is necessary to carry out thorough feasibility studies of all policy provisions and ensure that all policy provisions are genuinely enforceable. (3) All policy provisions should have corresponding enforcement provisions. Guangdong should take the first step in opening up to the outside world be met. Moreover, in order to ensure that the introduction of technology is even more geared to our needs it is necessary to conduct a survey or sampling investigation on the state of industrial technology so as to find the weak links in the domestic supply and demand of technology. It is necessary to apply network theory, give priority to strengthening the

weak links, implement special preferential policies for import projects that can strengthen the weak links, and establish an open industrial zone or an open technology network.

2. While carrying out policies that ensure foreign exchange balance throughout the country as a whole, we may allow policies that bring about an imbalance in the foreign exchange system in parts of the country. We will still carry out an improvement in the overall foreign exchange balance.

In terms of the long-range overall situation, when utilizing foreign exchange to import technology it is generally necessary to scrupulously abide by the principle of having a balance of foreign exchange, otherwise there is the danger that the foreign debt will become too heavy and it will have to be restricted or controlled. It is extremely important to ensure having a rational foreign debt. Excessive conservatism may affect the scope and rate of the absorption and use of foreign capital. If the debt is too great it will eat up a large amount of export revenues or gold reserves.

In sum, when dealing with the balance of foreign exchange on a macroeconomic level it is necessary to avoid being one-sided. We must have the concept of viewing the situation as a dynamic whole and we must implement the principle of balancing the whole system. The central ideas of this principle are: in balancing foreign exchange, break through local, departmental, occupational, enterprise and time limitations; demand that every part conform to the principles of mutual compensation in the balance and utilization of foreign exchange; oppose each one fighting for his (own) position and everyone shifting responsibility on others; strive to improve the unified balance, distribution, and use of foreign exchange; and ensure the integrated and favorable balance of foreign exchange.

3. Increase demand for bringing in exchange in the utilization of technology, expand preferential treatment for prototype technology, establish the coordinated introduction of models which correspond to Guangdong's ability to bring in foreign exchange and the direction of technical development in Guangdong.

At present conditions in Guangdong relating to the utilization of foreign capital to import technology are as follows: (1) Both in terms of economic geography and macroeconomic policies, Guangdong has the superiority and ability to develop the use of foreign capital to import technology on quite a large scale. (2) Although Guangdong already has some ability to bring in foreign exchange, compared with foreign exchange demands, this ability is still quite inadequate. Moreover, the structure of this ability is quite backward, because it relies primarily on exchange from agricultural byproducts, semiprocessed products, and compensation trade. (3) The Central Committee has asked Guangdong to take the lead in opening up to the outside world, to become a window to the outside world, to spread advanced technology and management from all over the world, and to increase exchange for the nation. Guangdong, thus, is confronted with two great tasks in the use of foreign capital to introduce technology. One is that it is necessary to absorb as much advanced practical technology as possible and management experiences which correspond to national conditions in China so as to facilitate spreading them throughout the country. Thus, during

Guangdong's utilization of foreign capital to introduce technology, it is necessary to develop a relatively strong capacity to exploit technology.

In order to ensure the realization of the two aforementioned tasks, Guangdong must use a new pattern of importation and head along the combined path of creating exchange and exploiting technology. The basic features of such a pattern of importation are as follows. It is possible to decrease, as appropriate, technological standard requirements for projects that have a strong capacity for generating exchange. The primary basis for determining whether preferential treatment be given is whether or not they can generate more exchange. Such projects should give priority to being geared to exports. They may also replace imports. They must be competitive on the international market or be able to bring in foreign exchange. It is possible to relax requirements for bringing in exchange for projects that have a strong ability to exploit technology. The primary basis for determining whether preferential treatment be given is whether they spread advanced practical technology throughout the country. Such projects must give priority to spreading technology. Similarly, they can also replace imports. The former type of project stresses direct beneficial results and requires that we have a foreign exchange compensation balance; the latter type of project stresses indirect beneficial results and the foreign exchange spent may be compensated by using other foreign exchange revenue.

4. Under the premise of strengthening domestic investments, it is necessary to break through limitations among departments, regions and enterprises, to form enterprise groups and to promote the study, absorption, mastery, improvement, development, and transfer of imported technology.

In order to give full play to the benefits of imported technology, it is necessary to improve the study, absorption, mastery, improvement, development, and transfer of imported technology. This is the generally recognized experience at home and abroad. Nevertheless, in our province, work in these links has been quite poor from beginning to end. Thus, we should rationally arrange investment ratios for each link in investment planning and have domestic and foreign capital investments as well as investments in each link. In terms of organization, we should adopt policies to encourage and foster cooperation across regions, departments, and businesses and encourage the integration of the entire process of work in importing technology by developing enterprise groups.

In addition, in order to accelerate the transfer and spread of the fruits of imported technology, under the premise of not violating special-interest laws and according to the requirements of regulations for a commodity economy, it is necessary to encourage the commercialization of the fruits of imported technology and to give full play to the role of the technology market. It is also necessary to open up exchange channels for the successful results of imported technology, to arouse the initiative of units involved in importing technology, to transfer and spread successful results, and to ensure that the rational interests of these units not be infringed upon.

5. Determine the scope of feasibility studies for projects involving imported business technology and provide unified criteria for examining and approving projects which are genuinely enforceable and can function as checks.

Although there are problems in extending autonomy in the utilization of foreign capital to import technology, macroeconomic management departments must not be indifferent. On the contrary, in macroeconomic terms, they must strictly check on what is allowed or not allowed to be imported or what imports are to be encouraged or restricted. However, the implementation of such checks must not depend on subjective will but rather on scientific criteria for examination and approval. Feasibility studies must be made on the utilization of foreign capital to import technology. The results of these studies form the major basis for macroeconomic control departments in appraising import projects.

6. Improve research on the international money market and the technology market, develop cooperation among the various currencies, and practice the tactics introduced by multilateral organizations for stimulating customer competition.

At present, one of Guangdong's problems in the use of foreign capital to import technology is that there are too many unitary clients and they are highly concentrated in specific regions and countries. For example, in 1983 the sources of investment capital in foreign capital enterprises in Guangdong were highly concentrated in Hong Kong and Macao. The total amount of investments of businessmen in this region amounted to 420 million yuan, or 91.5 percent of the total amount of investments. The amounts in other countries were: 20.87 million yuan in the United States; 7.51 million yuan in England; 6.72 million yuan in Southeast Asian countries (Singapore, Thailand); 1.93 million yuan in Japan; 820,000 yuan in Norway; 420,000 yuan in the FRG; and 120,000 yuan in Switzerland. If clients are excessively concentrated, it is disadvantageous to China in reaping a profit from competition. On the contrary, it may lead to our being dependent on clients.

There is also a problem of buyer's and seller's markets involved in the utilization of foreign capital to import technology. We must realize that while we hope that foreign businesses will come forward to make investments, foreign businesses are also eager to seek outlets for investment. If we only think of how urgently we need to import and overlook how the other party urgently needs to export, then we may consciously or unconsciously enter into a seller's market. This would mean giving up the power of initiative we may have gained and this would give rise to importation that is oriented toward the seller. As for utilizing the international money market and technology market, in order to strive for even greater power of initiative, it is necessary to improve market research in this area so as to understand market dynamics and thereby come up with corresponding countermeasures.

At the same time, the work involved in having dealings with numerous clients compared to unitary clients is undoubtedly more difficult to carry out, but the import results are more ideal. One is that it is advantageous to each party to learn from the other's strong points to offset their weaknesses and to obtain what we need. The other is that competition among nations benefits our side at the conference table when negotiating terms and bargaining.

Countries such as Japan, an industrially developed nation, are still practicing these tactics. There experiences have shown that they are effective. One point is worth noting, namely, when practicing such tactics it is even more necessary to get good client credit information, for if a certain client does not honor credit obligations, it may affect our overall planning arrangements. At present, work on client credit information is still quite poor. It is necessary to improve work in this area along with further development of foreign economic and technological cooperation.

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SPECIAL ECONOMIC ZONES

SHENZHEN DEVELOPMENT STRATEGIES OUTLINED

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[Article by Li Yizhong [2621 5030 0022] of the Shenzhen SEZ Development Co:
"Shenzhen Should Be Built Into an Urban Center for Direct Economic and Technical Exchange With Foreign Countries; an Inquiry Into Development Strategies and Guiding Principles for the Shenzhen SEZ"]

[Text] The guiding ideology behind the slogan, "New and special methods for new and special things; keep our standpoint unchanged while completely renewing methods" should be implemented in the construction of the Shenzhen SEZ. We should free ourselves of traditional urban construction forms, make full use of our own unique advantages and build Shenzhen into an urban center (or bridge) for direct economic and technical exchange with the outside world.

The Lack of Effectiveness of Traditional Urban Construction Models

Current construction in Shenzhen is generally based on the usual urban construction models used both here and abroad. Because of this, the objective for construction can only be to build Shenzhen into an ordinary industrial city and port for commerce and foreign trade. Recently it has been suggested that Shenzhen be built into a comprehensive outward-facing special economic zone, with an equal emphasis on industry and foreign trade, particularly industry, characterized by an integration between technology, industry and foreign trade. However, this concept still remains within the bounds of the traditional city model, and is not fully integrated with the practical situation and conditions in China and in Shenzhen. If, when deciding upon guiding principles, we become divorced from the needs of China's four modernizations, from local natural resources, from the geographical environment, and from the original foundation and potential for development, we shall only get half the desired result while exerting twice the effort. The reasons for this are:

First, to develop industry, especially the "doubly concentrated" industries, requires the existence of fairly complete basic industry, suitable and abundant raw materials and high-level scientific and technological personnel and institutions. But these conditions are exactly what Shenzhen is weak in. Of course, as pioneers, we ought to have the pioneering spirit and create conditions where they are lacking, but to create the above conditions requires

time, investment and many other factors for which a large price must be paid, and noteworthy results will not be forthcoming for some time. Everyone is seeking to develop in the direction of the 14 open coastal cities. But these cities all have the necessary basic conditions, especially Shanghai, Tianjin, Dalian, Guangzhou and other older industrial cities. How can Shenzhen compete with them? And appraising the problem from the point of view of regarding the entire country as a chessboard, what good is there in duplicating many industrial projects?

Second, the construction of a foreign trade port requires, first of all, building a harbor and piers that can handle a large volume of goods. It also requires railroads and the organizing of an international fleet, installing more telecommunications equipment, and building international finance and information institutions. More important is the possession of one's own export commodity base, channels for international and domestic trade, etc. In this, Shenzhen cannot compare with Shanghai, Tianjin, Dalian, or Guangzhou. Furthermore, Hong Kong, one of the largest foreign trade ports in the world, will again be a part of China. Therefore, careful thought should be given to plans for building Shenzhen into a port for international trade like Hong Kong, Shanghai, Guangzhou, Tianjin, or Dalian.

Third, in developing outward-facing industry, overseas sales of products are of primary importance, which is in direct conflict with the major aim of foreign investors in China--the winning of Chinese markets. Quite a few large financial groups and entrepreneurs come here to negotiate investment with just this aim in mind, but often fail to achieve success because of the orientation of product sales. Therefore, to this day Shenzhen has not attracted many large consortiums or initiated any large-scale projects. Part of all of the products of some foreign investors in China (most of whom represent medium- or large-scale enterprises), could be sold abroad. But they all wish to select locations that provide land, labor, inexpensive raw materials, a fairly good technology, and preferential treatment for their investments. Judging from present conditions, Guangzhou, the Zou Jiang delta and other open cities have numerous advantages in this over Shenzhen, and there is fierce competition among them. Quite a few projects originally discussed in Shenzhen have since been shifted to the interior. Some enterprises in the SEZ have rushed to set up bases beyond the second border. This is a reflection of their lack of confidence in constructing outward-facing enterprises in the Shenzhen SEZ, and is a development that must be dealt with.

The purpose of establishing SEZ's is to utilize the special geographic conditions within the zones to implement preferential policies and flexible measures in order to promote economic and technical exchange with foreign countries, make full use of the "four windows" and serve the four modernizations. If Shenzhen is built according to the usual urban construction models without taking its unique characteristics and competitive capacity into consideration, not only will a great deal of human, financial and material resources have to be spent, but the objectives of constructing the SEZ's themselves may not be achieved.

Make Full Use of Shenzhen's Greatest Advantages

To build Shenzhen into a city with unique functions and competitive abilities requires first making full use of its greatest advantages. What are Shenzhen's greatest advantages? Its close proximity to Hong Kong and the International market make it one of the most important ports in the world. A city's geographical position is often one of the most central factors in its successful construction. Hong Kong used to be a poor, isolated island with no natural resources or industry, but it had an extremely advantageous geographical position. With the vast, populous and potentially rich Chinese mainland at its back, Hong Kong got a stranglehold on transportation in the South Pacific. In addition, the implementation of appropriate policies and measures helped it to develop in a short period of time into an international finance, foreign trade, communications and shipping center. After his visit last year to various large cities in China, the well-known economist from Columbia University in the United States, Dr Wang Nianzu [3769 1819 4371] told this reporter: "The investment environment of Shenzhen should be linked up with Hong Kong. The two cities are separated only by a river, which makes for convenient transportation. Hong Kong's advantages are also, in fact, Shenzhen's." This shows great practical insight and judgment. In fact, many foreign businessmen who invest in or have established offices in Shenzhen are of the same mind.

International economic and technical exchange (including investment, credit, setting up industries, developing commerce and trade, technological cooperation and transfer rights, etc.), usually takes on one of two forms: the direct form in which both parties meet face to face and negotiate and come to an agreement on the spot; and the indirect form in which documents, diagrams materials and samples are sent, or middlemen are used in negotiations and reaching agreements. The advantages of the first type are that there is a great deal of contact, mutual understanding is more easily achieved, the objects of negotiation can be seen in person, there is more room for choice and the success rate is fairly high. Therefore, many countries have established various large-scale international fairs (such as Germany's Leipzig and Japan's Tsukuba, and others), in order to provide excellent conditions for direct trade or technological cooperation with foreign firms of all nations. Foreign enterprises have also energetically established companies, branch offices or representative bureaus throughout the world in order to broaden the abovementioned first form of exchange. However, China faces many difficulties in its present attempts to expand direct importation, foreign trade and scientific cooperation. Few Chinese enterprises have branches abroad and the number of staff members who can be sent overseas on learning tours, to negotiate import contracts or to engage in trade is limited. Due to a series of problem relating to importing, customs duties and transport, there are limits on time and on the variety and quantity of goods shown in domestic fairs displaying foreign products and technology. Large numbers of foreign businessmen cannot be accommodated at export commodity fairs because of difficulties in transportation and arranging visas. Many inland enterprises have flocked to Shenzhen to open companies or offices to gain a "window" on foreign economic exchange and find a way out of their difficulties. Some

enterprises in Dalian and Shenyang have not set up companies or offices in Shenzhen, and foreign businessmen find it very difficult to get to the north-east from Hong Kong, so have no alternative other than sending representatives to Shenzhen to conduct negotiations. This all shows how much China needs to create cities that can act as bridges for comprehensive and direct economic, technical and cultural exchange.

Shenzhen is without doubt the ideal choice for this role due to its proximity to Hong Kong and international markets, a unique advantage in China. First, Shenzhen is one of the largest comprehensive special zones. Foreigners, and Hong Kong and Taiwan compatriots can come and go easily, as can large numbers of personnel from the interior. Frequent economic and technical exchanges of all kinds can be carried out and the "four windows" function can be fully utilized. Due to its different social system and management practices, Hong Kong cannot take Shenzhen's place in this respect now or even for the next 12 years. Second, definite achievements have been made in various aspects of construction in Shenzhen, which has provided it with a preliminary foundation to function as a bridge to the outside. Many construction projects will become increasingly effective in the near future, while investment will be reduced correspondingly. Third, many industries and departments are now carrying out various kinds of exchanges and cooperative projects in the areas of importing, foreign trade, personnel training, and other activities. As long as experiences are summed up, work is improved, and development is planned, Shenzhen can become a center for exchange of all kinds. Most noteworthy is that the establishment of such an urban bridge with its unique functions is not only not in any real conflict with the development of other open cities across the nation and Hong Kong, but is a welcome development for the entire nation due to its service to the country. It will play a giant role now and in the future in promoting the stability and reputation of Hong Kong.

Ideas on Urban Centers for Direct Exchange

In functioning as the "four windows," fanning out in two directions, and serving to improve international economic, technical, cultural and educational exchange, Shenzhen's primary strategic guiding principle should be the development of tertiary industry (including circulation and service industries), in order to mobilize the overall development of industry, scientific research, agriculture, personnel training, and other fields. The current economic system and administrative structure must be thoroughly reformed, and the following eight centers set up:

1. A center for the import and export of technology. Its main function would be to import and export technical knowledge, equipment, capital (mainly via importing; exported capital is to be used primarily for the establishment of enterprises overseas), laborers, and management knowledge, and serve as an intermediary organizer, experimenter and relayer. The center will attract firms from abroad, Hong Kong, Macao, Taiwan, and interior cities to set up companies and factories and to maintain workshops and business information services in Shenzhen. Firms (including SEZ firms), will be able to make

direct contacts, negotiate import and export contracts. It will also assist them in signing cooperative investment agreements, transferring large amounts of capital and projects to the interior. At the same time the center will assist in exporting all exportable technical equipment, products, and labor. The Shenzhen SEZ will also establish its own industrial base, and select, in its negotiations, some export-oriented projects to carry out in the SEZ, or invest in stocks and shares in the interior or abroad, thus making industry in the zone more flexible and adaptable. With strong logistical support, the SEZ can become a base for the import and export of commodities.

2. A center for scientific and technical exchange. The center would include a science and technology building, an exhibition hall, a scientific and technical information service, a science and technology market, and so on. It would have, in addition, a hotel, restaurant, entertainment, and other facilities. In order to attract foreign and domestic firms, scientific research institutes and institutions of higher education would establish various research units and special technical companies, sponsor special or overall science and technology exchange fairs and exhibitions, organize all units involved to engage in research in one or several fields, to appraise or test products, to provide scientific and technical information services for domestic and international consumption, and to contract for projects involving scientific and technical product development projects. A large-scale modern scientific exhibition center such as the one in Japan's Tsukuba could also be established.

3. An international fair and trade center. Capital could be concentrated to establish a Leipzig-style large-scale exhibition and sales center, which would include the involvement of all commercial districts of the city (exhibits could be arranged by industry), to attract foreign firms. Domestic enterprises could also set up companies, retail outlets, agent offices and so on to exhibit products made at home and abroad. Famous and specialty products from all over China and the world could be purchased here. In addition, various trading, credit, advertising, packaging, storage and shipping, customs, tax, auditing, mail order, product inspection, time consultation, and other service companies could be set up. Factories could be setup for product assembly, processing, and repairs. The trade centers should promote the integration of trade, industry and technology, as well as of production, supply, and marketing; reduce the number of middlemen, and attract foreign and domestic customers by offering a large volume of varied (foreign and Chinese) reasonably priced products. These centers would enliven the economy and allow both Chinese and foreign firms access to channels in which to market products.

4. An international information service center. The SEZ must set up its own independent information organ with modern communications equipment. At the same time, it has to attract information organizations from abroad, Hong Kong, Macao, and inland cities to set up branches in Shenzhen, to initiate long-term or temporary information markets, publish various information newspapers, and provide information services in science, technology, industry,

commerce, foreign trade, finance, construction, shipping, real estate, education, personnel and so on, so that if the interior wishes to understand information from Hong Kong, Macao, Taiwan, and foreign countries, it will need Shenzhen, and if foreign firms and other persons throughout the world wish to understand information from China, they must also go to Shenzhen.

5. A financial services center. In addition to strengthening the guiding role of several large state banks, more foreign banks must be allowed to open branches or representative offices here to run banking and financial services. Chinese and foreign banks, joint leasing companies and Chinese financial companies must be organized to expand credit, and leasing services to serve inside and outside the SEZ. An SEZ stock market could be established, and Chinese and foreign companies could be encouraged to sell their stocks there. Joint and Chinese financial information and consultative companies could be established to provide financial and market information services at home and abroad.

6. A center for the training and exchange of personnel. First, intellectual resources and experiences from Hong Kong, foreign countries and the interior must be absorbed, and the SEZ's universities and various technical schools should be well managed in order to train specialized personnel for export-oriented work in the SEZ's and other parts of the country. Schools and scientific research, academic, commercial and trade organizations from China and overseas should set up in Shenzhen various personnel training centers and exchange organizations (such as employment agencies, training centers, specialized training classes, etc.). Academic exchange conferences should be sponsored and flexible measures taken not only to train and bring in personnel for the SEZ, but more importantly, to train and exchange personnel in international economics and technology for China, and to provide Chinese-language, economics and technical personnel for Hong Kong and foreign countries. In this way, the personnel will help spur on foreign trade activity and technology import and export.

7. An international tourism center. Not only must we do a good job in running the SEZ's tourist network and attract more foreigners and tourists from Hong Kong, Macao, and the interior to Shenzhen, but we must develop more foreign, Chinese, and joint-capital travel agencies to link up with the major Chinese tourist areas and cities abroad and organize an international tourist network. On one hand, we could organize Hong Kong and foreign tourist groups to travel in Shenzhen and the interior, while, on the other hand, we could organize inland Chinese tourist groups to travel to Shenzhen, Hong Kong, and foreign countries.

8. A transport and transportation cooperation center. While stressing the construction of railroads, highways (including high-speed parkways), ports, piers and airports, we must also seek economic links with Chinese and foreign railway, aviation, shipping and highway concerns, establish various specialty or joint shipping companies and develop diversified transport services.

In addition, as the South China Sea oilfields are successfully developed, a South China Sea development service center could be established. These centers would entail a professional division of labor, and could become semi-official organs to replace some purely official administrative organs now run by the city government, reduce governmental interference, and increase enterprise vigor. In this way, the economy can be invigorated. We must broaden our vision beyond the bounds of the SEZ to include the entire country and the world, and service the cause of economic, technological, cultural, and educational exchange between China and abroad. The above eight centers would be established for just these services, and would be primarily guided by the development of tertiary industry. The experiences of various countries worldwide demonstrates that tertiary industry requires less investment time and reaps higher rewards. It is also the liveliest and most profitable industry. If larger numbers of people can be attracted every year to Shenzhen to engage in exchanges of various kinds and to travel, the SEZ will flourish and prosper and will bring in a considerable amount of foreign currency.

More Flexible Measures Must Be Implemented

The key to the implementation of the above ideas lies in uniting our understanding, further liberating our thinking, really implementing the open door policy and taking more flexible measures.

1. Policies of preferential treatment more favorable than in Hong Kong and the interior must be implemented. The "two borders" must rapidly develop to turn Shenzhen into a genuine favorable tax-rate district. In particular, strenuous measures must be taken to eliminate various illegal sources of "tax revenue" (various exorbitant taxes and levies and additional fees and charges). Effective steps must be taken to lower land, factory building, and market prices and rents, to reduce the price of labor, increase productivity, and attract more foreign businessmen to invest and cooperate in Shenzhen.
2. Channels of all kinds both here and abroad must be created. The various centers and major enterprises must establish branch offices in major cities abroad and nationwide, and set up vast information, financial, trading, and transportation networks.
3. Entry and exit to and from the SEZ must be made more convenient. The number of people who enter the SEZ will determine its success and prosperity. The zone should be opened more to the outside, and measures should be taken to make entry and exit to and from the zone simpler and more convenient for personnel of all types at any time.
4. Foreign exchange management in the SEZ must be liberalized, and currency for use within the zone must be issued to encourage the development of direct trade.

In short, we must implement the guiding thinking of Comrade Deng Xiaoping regarding the SEZ: "It should be freed, and not hampered." We must constantly study and resolve problems that appear during the practice of construction and improve and enliven our work. The Shenzhen SEZ will surely become more prosperous and flourishing and contribute even more to the country's four modernizations.

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LABOR AND WAGES

HEBEI MEETING OF MODEL WORKERS REPRESENTATIVES CONCLUDES

SK091002 Shijiazhuang HEBEI RIBAO in Chinese 24 May 86 p 1

[Excerpts] The provincial meeting of representatives of model workers and advanced collectives concluded today after a 3-day session.

During the meeting, the representatives conscientiously listened to, studied, and discussed the reports given by Comrades Xie Feng and Zhang Fuyou. Twelve comrades, including Song Guangming and Wu Shuzhen, gave an account of their advanced experiences and exemplary deeds. Seven comrades submitted written reports.

Attending the closing ceremony were leading comrades of the provincial CPC Committee, the provincial Advisory Commission, the provincial People's Congress Standing Committee, the provincial government, the provincial CPPCC Committee, and the provincial Discipline Inspection Commission, including Xie Feng, Li Wenshan, Yang Zejiang, Ye Liansong, Lu Chuanzan, Qu Weizhen, Bai Shi, Wang Zuwu, Zhang Runshen, Song Shuhua, Wang Yu, and Xu Chunxing, as well as responsible comrades of the provincial Trade Union Council, the provincial CYL Committee, and the provincial Women's Federation.

Zhang Fuyou, secretary of the Secretariat of the All-China Federation of Trade Unions, also attended the closing ceremony.

Vice Governor Song Shuhua presided over today's meeting. Leading comrades of the province presented silk banners and certificates of citation to 120 advanced units and collectives and medals and certificates of citation to 504 model workers, as well as medals and certificates of citation to 41 comrades who won this year's "1 May" labor medals given by the All-China Federation of Trade Unions.

Ye Liansong, member of the Standing Committee of the provincial CPC Committee and vice governor, gave a speech. He expressed the hope that the participants, after returning to their own places, would apply the advanced ideology and experiences they have studied to the great practice of reform and construction, strive to create more outstanding achievements, win greater honor, and work together with the people throughout the province to fulfill or overfulfill the province's 1986 economic and social development plan, to successfully accomplish the Seventh 5-Year Plan, and to achieve a splendid future.

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LABOR AND WAGES

BRIEFS

WORKERS ON AID PROJECTS--Beijing, June 8 (XINHUA)--The State Council has issued commemorative certificates to 19,450 builders who have been dispatched to work on 43 aid projects in Tibet by 9 Chinese provinces or municipalities and some ministries, according to today's PEOPLE'S DAILY. These projects were undertaken in Tibet in line with directives of the party Central Committee and the State Council. About 20,000 people from Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang, Shandong, Sichuan, Guangdong and Fujian and the ministries of machine-building, water resources and electric power, and agriculture, animal husbandry and fisheries participated in the construction. Except for three projects suspended because of readjustments in construction designs, 40 had been completed and put to use at the end of last year after only 1 year of construction. The State Council decided to issue certificates to the builders working on these projects, including those in geological prospecting, designing, construction and management, the paper says. [Text] [Beijing XINHUA in English 0537 GMT 8 Jun 86 OW] /8918

CSO: 4020/349

POPULATION

SURVEY SHOWS PROGRESS OF CHINA'S FAMILY PLANNING WORK

Beijing RENKOU YU JINGJI [POPULATION AND ECONOMICS] in Chinese Vol 1, 25 Feb 86
pp 28-34

[Article by Yang Qingtao [2799 3237 3447] of the Beijing Economics College Population Economics Research Institute and Yang Zihui [2700 1311 1979] of the Chinese Academy of Social Sciences Population Research Institute: "A View of the Great Achievements of Chinese Family Planning as Shown in the One One-Thousandth Sampling Survey of the Population"]

[Text] The great success of Chinese family planning during the 1970's has drawn the attention of the entire world. People are not only following Chinese developments but are trying to learn from them. Therefore painstaking, thorough and scientifically correct analyses and research on the achievements and development of China's family planning are most important. The "One One-Thousandth Population Fertility Sampling Survey" carried out in 1982 by the State Family Planning Commission provides abundant and accurate data for analysis and research. This article is a preliminary exploration of China's family planning based on this data.

1. Changes in the Age of Women at First Marriage

Under ordinary circumstances, marriage comes before giving birth, and giving birth is the natural result of marriage. Thus, the age of women at their first marriage is an important indicator used for studying changes in the fertility of women and in the fertility of the population. It is also one of the principal indicators of the achievements of China's family planning. The one one-thousandth fertility sampling survey data shows that the age at first marriage of Chinese women changed considerably during the 33 years from 1949 through 1982. It has these three characteristics:

1. The average age of women at their first marriage rose considerably.
(See Figure 1)

In 1949, the national average age of women at their first marriage was 18.57 years. By 1960, it had risen to 19.57 years and then rose again to 23.05 years by 1980 before declining slightly to 22.82 years in 1981. This development can be divided into two periods with the years 1949 through 1970 comprising the first period. During the 22 years of the first period due to the

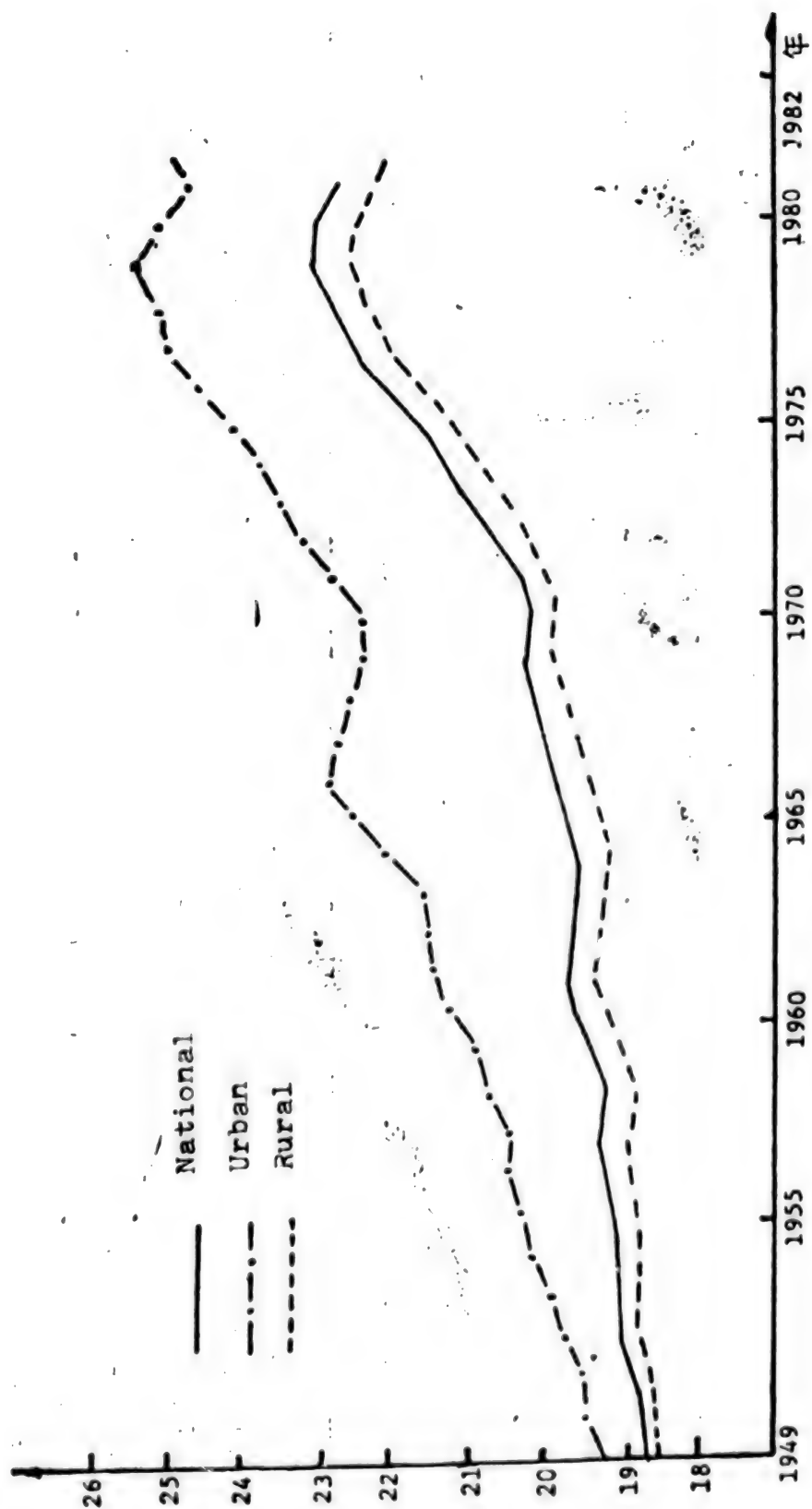


Figure 1. Average Age of Females at Their First Marriage
(1949 Through First Half of 1982)

promulgation of the "Marriage Law" there was a great change in the custom of early marriage. The average age of women at their first marriage climbed in a gently rising curve with many fluctuations. This is related to contemporaneous changes in the social and political situation.

The second period extends from 1971 through 1981. Although this period is just half as long as the first period, the average age of women at their first marriage climbed twice as fast, as can be seen from the steep, almost vertical, slope of the curve. The energetic promotion of family planning beginning in the 1970's clearly accounts for this. A decline in the average age of women at their first marriage began in 1980 and had fallen to 22.66 years of age by the first half of 1982. This is certainly related to the relaxation of late marriage propaganda since the promulgation of the new "Marriage Law." Yet this temporary decline cannot affect the general trend of steady increases in average age of women at their first marriage.

We can see in Figure 1 that trends in the average age of women at their first marriage among both urban and rural women are generally consistent although a fairly large gap which exists between the villages and the cities and townships shows that the rural villages still have not fully realized their potential for increasing the average age of women when they marry for the first time.

2. The rate of women marrying for the first time at a late age has also greatly increased. (See Figure 2)

Defining marrying late as marrying after 23 years of age as urged by Chinese national policy, the proportion of women marrying late was 6.6 percent in 1949, increasing to 13.8 percent by 1970 and again to 52.8 percent in 1980. Analyzing these trends, we discover that the curves for women's late marriage rate and the average age of women at first marriage are very similar. Even the difference between the rural and the urban rates is very similar to these curves. Before 1970, the rate of increase climbed slowly in a fluctuating and nearly flat curve. After 1970, the rate increased very rapidly with a steep, straight and nearly vertical curve. After 1980, a decline began which was related to the promulgation of the new "Marriage Law." Certainly the very rapid increase in late marriages since the 1970's resulted from the effectiveness of the vigorous dissemination of propaganda promoting late marriage.

3. The rate of women marrying early has declined considerably. (See Figure 3)

Taking the lowest legally permissible age for marriage (18 years of age according to the first section of the "Marriage Law") as the standard, early marriage was very common in China before the 1950's. In 1949, the Chinese national early-marriage rate for women was 49.3 percent, 39.1 percent in the cities and townships and 51.5 percent in the countryside. As late as 1970, the national average early-marriage rate was still 18.6 percent and over 20 percent in the countryside. From 1949 through 1970 the average of annual early-marriage rates was 33.74 percent. After 1971, the decline accelerated

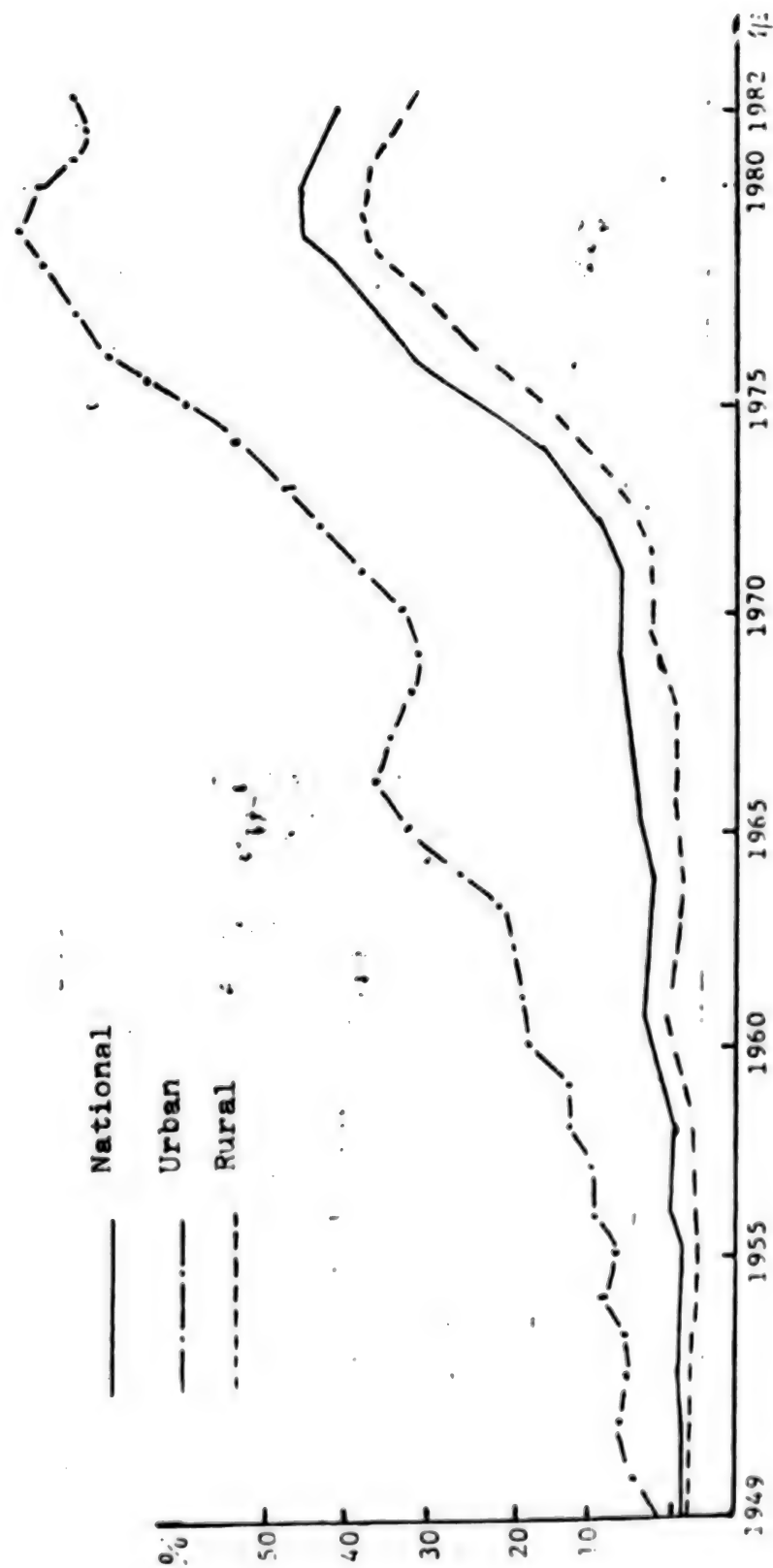


Figure 2. Late Marriage Rate for Women Marrying for the First Time (1949-1982)

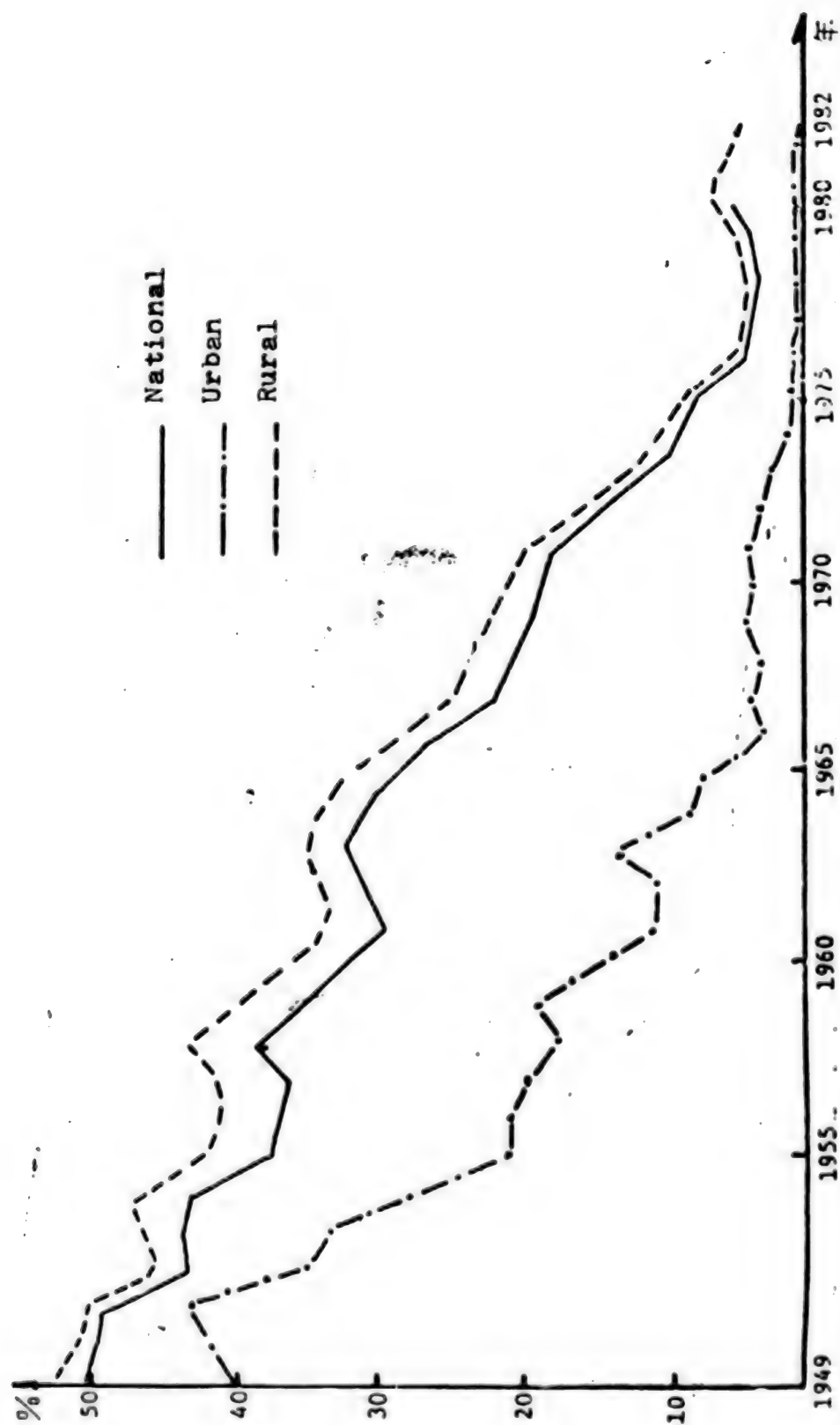


Figure 3. Early Marriage Rate for Females (1949-1982)

further, the rate dropping from 17.4 to 3.8 percent in 1982. The 1982 rate breaks down to 0.1 percent in the cities and townships and 4.7 percent in the countryside. The average annual early-marriage rate over these 12 years was just 7.34 percent, 3.6-fold less than the average annual early-marriage rate for the 22 years before 1970. From Figure 3 we can see that although there was a large decline before 1970 there were many fluctuations in it, but after 1970 there was a steady linear decline. Even in 1980, because of inadequate propaganda work for the promulgation of the new "Marriage Law," the early-marriage rate rose but very soon resumed its decline. This incident demonstrates the great achievements of China's late-marriage propaganda work.

The three principal characteristics of the change in the first marriages of Chinese women described above demonstrate a great historic change in the liberation of Chinese women from the old feudal marriage pattern and their adoption of a modern form of marriage. These three principal characteristics also show that with the increase in the age of women at their first marriage, births in a first marriage come later and the childbearing period is clearly shortened. This plays an important part in the decline of fertility and the control of population growth.

II. Changes in Overall Fertility

Overall fertility is one of the most important indices used to evaluate the achievements of family planning. The overall fertility rate is closely tied to a period's social and economic conditions, population policy, etc.

Since the founding of new China the overall fertility of Chinese women has clearly changed. The overall trend of development can be divided about the year 1970 into two periods. The period from 1950 through 1970 can be called the period of "fluctuating at a high level" while the years from 1971 to 1981 can be called the years of steady and dramatic decline. (See Figure 4)

1. The period of fluctuating at a high level: This period, which lasted 21 years, can, according to its fluctuations, be divided into three stages:

The first stage, from 1950 through 1958, lasted 9 years. The average annual overall fertility was 6.057, with a difference of just 0.793 between the high in 1952 and the low in 1958. From Figure 4 we can see that the curve representing overall fertility during these 9 years is high, steady, and broad with small peaks in 1952 and 1957. During this period, after 3 years of reconstruction, China began large-scale economic construction and the living standards of the people markedly improved. The population also entered an era of high growth with fertility holding at over 37 percent for 5 consecutive years from 1950 through 1954. During the middle of the 1950's, except in the national minority regions, birth control propaganda and promotional work was done in densely populated areas to encourage people to plan the births of their children. However for various reasons this work could not be done thoroughly. Family planning experiments were made in only a few large cities. For the nation as a whole, however, fertility was not under control. Thus, this stage can be characterized as having a high and relatively steady overall fertility.

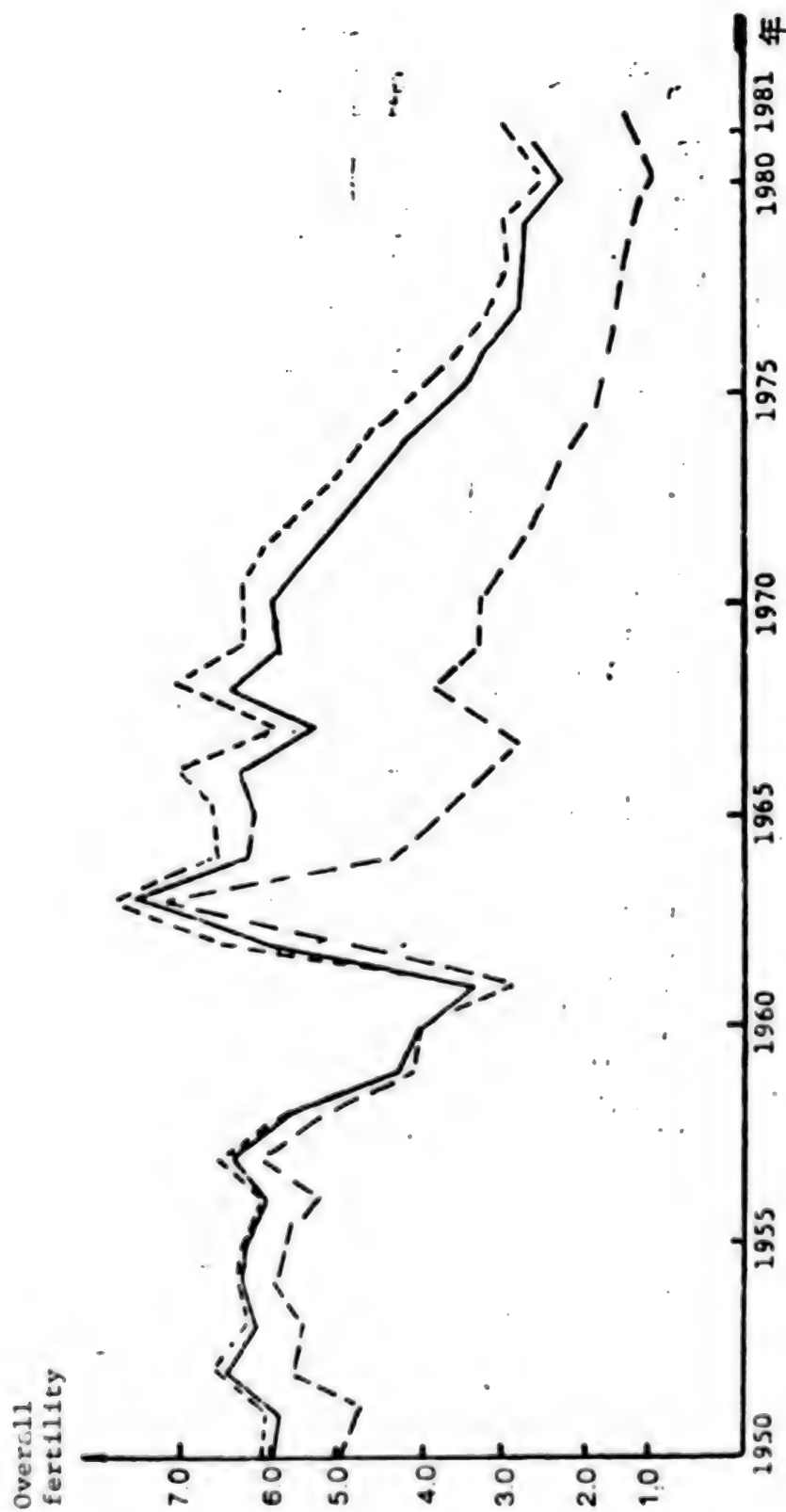


Figure 4. Overall Fertility for Women 1950-1981

The second stage extends from 1959 through 1963, a total of 5 years. Overall fertility during this stage had a deep depression and a high peak, the largest fluctuation since the founding of the PRC in 1949. During the years of steep decline, 1959 to 1961, the average annual overall fertility fell to 3.868, 2.189 lower than the average of the first stage. The lowest overall fertility, 3.287 in 1961, was 2.392 lower than the 5.679 of 1958, the first-stage year with the lowest fertility. During the two peak years 1962 and 1963 overall fertility shot up to over 6 with the peak coming at 7.502 in 1963, the PRC's historic high. The reason for these great fluctuations is clear: the "steep drop" in fertility was caused by the decline in births during the 3 years of economic difficulty. During the "great ascent," improvements in the national economy and in living standards brought a 2-year compensatory increase in births. Thus family planning has no direct connection with these fluctuations.

The third stage, extending from 1964 through 1970, lasted 7 years. During this stage the high overall fertility was similar to the first stage. However there is a clear difference between these two stages: the high fertility during this period was not as steady as during the first period and a gradual decline in fertility appeared. The average overall fertility was 5.972, 0.085 less than the 6.057 of the first stage. The peak, 6.448 in 1968, was 0.024 less than the 1952 peak of the first stage, 6.472. The year with the lowest fertility was 1967 at 5.313, 0.060 less than the lowest year of the first stage, 1958, at 5.253. This is because family planning, which had been discontinued in the 1950's, was restored to the agenda at the beginning of the 1960's. Family planning was developed in most cities and in some villages. Even when, beginning in 1966, family planning came under vigorous attack amidst the chaos of the "Cultural Revolution," producing a large oscillation as overall fertility rose to 6.448, the people, and especially families which had many children, wanted birth control. Thus, family planning did not come to a complete halt.

Another difference between the first and the third stages is that overall fertility declined faster in the cities than in the countryside. After the "great ascent" of 1963 urban overall fertility declined a total of 1.49 over 4 consecutive years, from 4.395 in 1964 to 2.905 in 1967. However in the countryside, the rural overall fertility climbed 0.391 from 6.567 in 1964 to 6.958 in 1966 before declining to 5.847 in 1967. In 1968, fertility rose in both the cities and in the countryside but the increase was much less in the cities than in the countryside. Rural overall fertility exceeded urban overall fertility by 3.153. During 1969 and 1970 the urban overall fertility declined to 3.299 and 3.267 while the rural overall fertility declined to 6.263 and 6.379, 1.9- and 1.95-fold the urban rates. Better economic, cultural and educational, and other conditions in the cities made family planning work better there than in the countryside; better results in efforts to control fertility were also obtained in the cities.

2. The period of steady and dramatic decline in fertility: During the 11-year period 1971 through 1981 overall fertility declined steadily and dramatically. The annual average overall fertility rate for this period declined to 3.566, 2.501 lower than the average for the years 1950 through 1958 and 2.406 lower

than the average for the years 1964 through 1970. Figure 4 shows that the decline from 1971 to 1980 is nearly a vertical drop. In 1981, there was a large recovery when fertility increased by 0.393 over 1980. This was because with the promulgation of the new marriage law the marriage age of several age cohorts decreased and some women who had married late had their first child, putting the 1981 first-born child fertility at 1.162, an increase of 0.869 over the 1980 first-born child fertility. Moreover once family planning was relaxed the second-born and third and successive child fertilities also rose. Considering the broad trends of development, however, the increase in 1981 does not show any significant pattern and did not have a great influence on the overall downward trend. Immediately thereafter, in 1982, the decline picked up once again and overall fertility reached 2.1 in 1983.

The principal and most direct cause of the steady and drastic drop in overall fertility since the 1970's is, aside from socioeconomic factors, the thorough implementation of family planning throughout the country. During this period, family planning developed even further on the foundation built during the 1960's. Population growth became a consideration in national economic planning and special organizations were set up at the county level and below, specialized cadres were dispatched, the specific requests that marriage and giving birth come late, the broad development of propaganda and education, and the popularization of birth control measures all played a part. Especially since the 3d Plenum of the 11th CPC Central Committee when the establishment of family planning as a fundamental national policy and its insertion in the state constitution, family planning has been promoted energetically and successfully. From 1979 to 1982, the average step increase in the population was 13.44 percent.

3. The distribution of fertility during the childbearing years has also changed markedly: The most evident change in the distribution of fertility in the childbearing years is in the decline in the relative fertility of women in the cohorts 15 through 19 and in the cohorts over 30. Relative fertility of the cohorts aged 15 through 19 years of age declined from 7.15 percent in the 1950's to 2.55 percent during the 1980's while for the cohorts over age 30 relative fertility declined from 46.12 percent during the 1950's to 22.85 percent during the 1980's. This demonstrates that controlling early marriage and the tendency to have several children is the key to reducing overall fertility.

III. Changes in Birth-Order Fertility

Changes in birth-order fertility are closely connected to changes in overall fertility. They reflect another aspect of family planning's achievements. According to analyses of data from the one one-thousandth population sampling survey, "Distribution of the Birth of Infants According to the Birth Order of the Infant in the Mother's First Marriage During 3 Years," the fertility pattern of Chinese women is already changing from giving birth early with little spacing between births and having many children to have children late and widely spaced and having few children. (See Table 1) This is shown below:

Table 1. Changes in Birth-Order Fertility for 1970, 1977, and 1981

Year	Births	First-Born		Second-Born		Third, Later	
		Number	Percent	Number	Percent	Number	Percent
1970	29,295	6,073	20.73	4,998	17.06	18,224	62.2
1977	19,997	6,171	30.86	4,918	24.59	8,908	44.55
1981	21,342	9,938	46.57	5,411	25.35	5,993	28.08

1. First-born fertility rose sharply, fertility for third and later children dropped abruptly while there was no apparent change in second-born fertility. From Table 1 we see that first-born fertility increased from 20.73 percent in 1970 to 30.86 percent in 1977 and then still further to 46.57 percent in 1981. The increase from 1970 through 1981 was 124.86 percent. During this great increase in first-born fertility, fertility for third and later children declined sharply from 62.2 percent in 1970 to 44.55 percent in 1977 and again to 28.08 percent in 1981. The decline from 1970 through 1981 was 121.55 percent. Although second-child fertility tended to rise slightly this trend was never very clear cut.

The change in birth-order fertility over these 3 years shows clearly that family planning has been most effective in controlling births of third and successive children. As mentioned previously, in 1970 overall fertility was in a period of "fluctuating at a high level." That year third and successive births were the dominant element in the birth-order fertility structure. However, by 1981 first-birth fertility had taken over the leading position from fertility of third and successive children; overall fertility declined accordingly.

2. The distribution of birth-order fertility after marriage also changed considerably (see Figure 5). From Figure 5.1 we can see in comparing these 3 years that the proportion of women giving birth to their first child within 5 years after their first marriage steadily increased from 94.29 percent in 1970 to 95.35 percent in 1977 and further to 97.51 percent in 1981. The second year after marriage is the peak year for giving birth to the first child. This peak became more pronounced as the proportion of women giving birth to their first child in the second year after their first marriage climbed from 50.82 percent in 1970 to 51.57 percent in 1977 and again to 56.52 percent in 1981. Undoubtedly this is the result of encouraging women to marry late and have children late which made the births of first children cluster more closely together.

From Figure 5.2 we can see that the period in which women have their second child is concentrated in the third through the seventh years after their marriage. The proportion having their second child in the fourth or fifth year after marriage is greatest and this proportion tends to increase. In 1970, 47.32 percent of the second-born children were born in the fourth or fifth year after their mother's marriage. This proportion climbed to 49.92 percent in 1981. This shows that the spacing between first- and second-born children is tending to increase and that there has been a very great change in the traditional practice of closely spaced births.

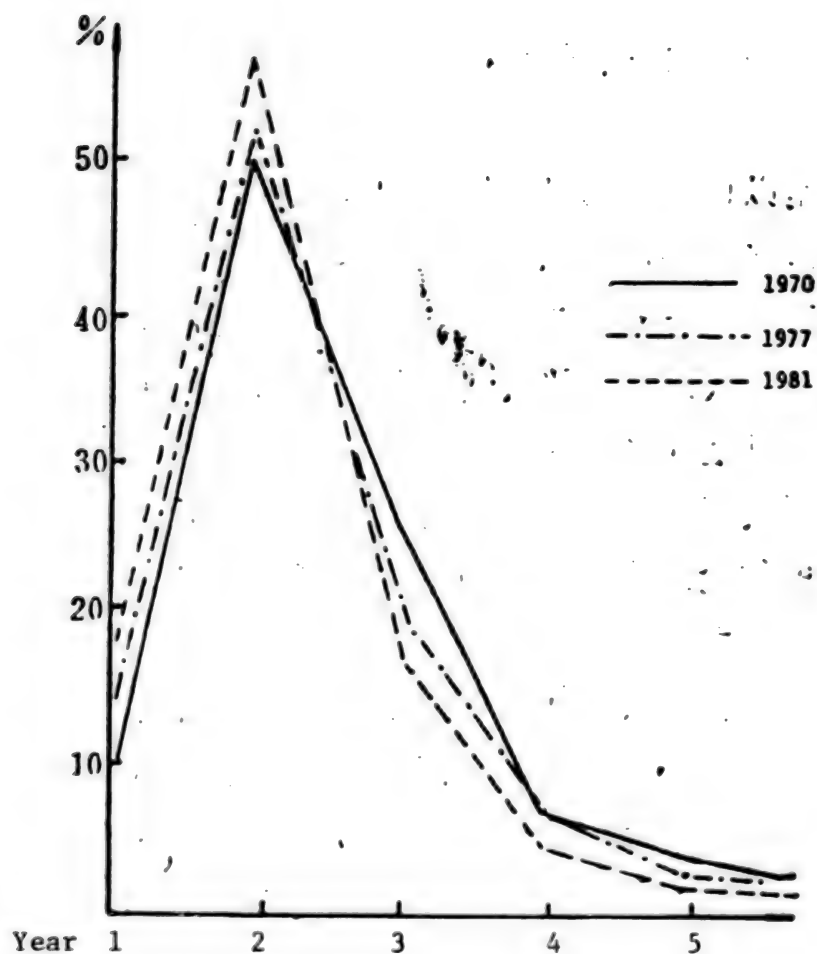


Figure 5.1. Distribution of the Fertility for First-Born Children in the First 5 Years After the First Marriage

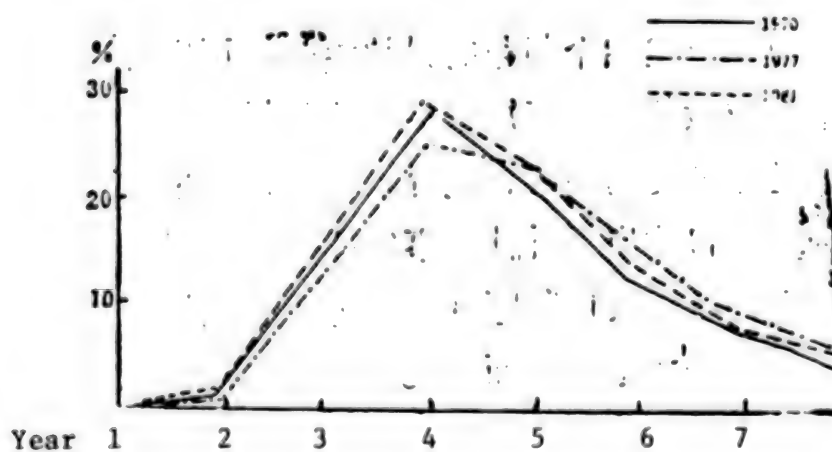


Figure 5.2. Distribution of the Fertility for Second-Born Children in the First 7 Years After the First Marriage

There is no discernible trend in the period after marriage in which third and successive children are born. The distribution begins in the third year after the first marriage and exists in each year thereafter but the proportion after the fifth year of marriage is very low.

IV. Discussion

From the discussion above we can discover several systematic issues.

1. The average age of women at their first marriage and the late marriage rate of women increased together. As the average age at first marriage and late marriage has increased, the average age of childbearing in a woman's first marriage increases correspondingly. These changes demonstrate that in the 30 years since the founding of the PRC there has been a fundamental change in the bad custom of marrying early and having children early.
2. Overall fertility and the fertility for third and successive children declined together. Accordingly the birth-order fertility structure of women changed as well and first-child fertility and second-child fertility came to absolutely dominate the fertility situation. This demonstrates that the childbearing intentions of China's women have clearly changed from the fertility pattern from having many children early and closely spaced together to having few children and having them late and well spaced. In just 30 short years the fertility of Chinese women has made a historic change in going from a high level to the replacement level.
3. There is a clear difference between the city and the countryside. Differences between the city and the countryside are evident in the age at first marriage, overall fertility, and birth-order fertility. For example in 1982 the average age of women at their first marriage in the countryside was 12.96 percent lower than in the cities and townships. The late marriage rate in the countryside was less than one-half what it was in the cities and townships while the early-marriage rate is 46 times greater. In 1981, rural overall fertility was 1.09 times urban overall fertility. Rural fertilities for the third, fourth, fifth, sixth and above children were 16.8, 33.7 and 366 times the urban rate. This to a certain degree reflects the influence of different economic, cultural, and educational factors on marriage and fertility. It also demonstrates that a great potential remains in the rural areas to contribute to raising the average age at first marriage, the late-marriage rate, and to reduce the fertility for third and successive children as well as overall fertility in order to contribute to achieving the goal of controlling population growth before the end of this century.
4. Analyzing these periods temporally, each of the changes described above took place about 1970. Up until 1970, although all of these changes were already taking place they were relatively small and there were many fluctuations. From 1971 onward nearly all these changes became linear and moved along more quickly than they had up to 1970. In the 30 years since the founding of the PRC, marriage and fertility have changed steadily along with the development of society and the economy. However the abrupt change that has been taking place since the 1970's is the result of the vigorous

promotion of late marriage and family planning. The decisive and widespread effect of policy in many areas shows that China's family planning policy has for a long time received the endorsement and support of the people and certainly could not have been so effective if it had depended on force to achieve its goals.

We can arrive at the following conclusion after our discussion of the four issues above: China's family planning policy is successful and extremely effective. In just 10 short years, the fertility pattern of China's women has changed from one in which women were marrying early and having many children closely spaced at an early age to one in which they were marrying late and having few children and superior children when they are older. This not only contributes to solving China's population problem but also to controlling world population. Under the condition that China's large population grows very quickly, and China's economy and technology are still backward, we cannot solve the population problem through Western-style "family planning" and still less can we control population growth through the "free market economy." We can only solve this problem through a Chinese version of family planning. We can do this, under the guidance of the socialist planned economy, by grasping at the same time the "two kinds of production." On the one hand, we should vigorously develop production, accelerate the pace of economic construction, and build a high socialist material culture; on the other hand, we should make population an integral part of the plan for the entire national economy, encouraging family planning parenthood, late marriage, giving birth late, having few children, having better children and gradually building a high socialist spiritual culture. The Chinese version of family planning is not only appropriate to Chinese culture but also can be a valuable reference point for many developing countries in the Third World.

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TRANSPORTATION

CAAC TO ORDER 40 MORE CHINESE-MADE AIRCRAFT

OW300747 Beijing XINHUA in English 0726 GMT 30 May 86

[Text] Beijing, May 30 (XINHUA)--Chinese aircraft manufacturer are going to provide the Civil Aviation Administration of China (CAAC), China's national flag carrier, with 40 yun 7-100 passenger planes in the coming 5 years, an official of the Aviation Industry Ministry said here today.

The official told XINHUA that this is part of efforts to further develop China's aviation industry, and the industry will also try to sell civilian aircraft in the international market.

The agreement on the deal was concluded recently between CAAC and the ministry.

Only 2 weeks ago, CAAC announced that it has signed 850 million-worth of contracts to buy 10 jumbo jets--four Boeing 747's, four Boeing 737's and two airbus A310S.

It was learned that 40 China-made aircraft will go into service on domestic air routes to and from Shanghai, Chengdu, Xian, Shenyang, Beijing, Guangzhou, Kunming, Urumqi and other cities.

The official said the industry will manufacture 10 aircraft this year. Equipped with improved radar and navigation facilities, the yun-7-100 can carry 52 people.

During the 1986-90 period, he said, "our aircraft manufacturers will provide more than 200 planes of various models for CAAC, provinces and autonomous regions. We will improve quality and offer good service."

At the same time, the industry will promote international cooperation by doing processing with supplied materials, importing technology and co-designing and manufacturing new passenger planes, and planes for farm and forestry use.

Much headway has been made in the past few years. The industry is now manufacturing wing boxes, cabin doors, engines and other parts for 10 types of aircraft, including Boeing 737's, Airbus A320S and MD-82's.

Up to now, the industry has concluded 80 million-worth of contracts for processing aircraft parts for nine firms, including Boeing, Sikorsky Aircraft and the Canadian Aircraft Company.

Aircraft-part assembly with supplied materials is undertaken in a dozen aircraft factories in Shanghai, Xian, Shenyang and Harbin.

Negotiations are still under way between Chinese aircraft makers and foreign firms to produce parts for ATP and Dash-8 aircraft.

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TRANSPORTATION

BRIEFS

LOCAL RAILWAY CONSTRUCTION--Beijing, June 5 (XINHUA)--China plans to construct 3,000 kilometers of local railways in the 5-year period from 1986 to 1990. The country now has a total of 4,000 kilometers of local railways. [Excerpt] [Beijing XINHUA English 0540 GMT 5 Jun 86 OW] /8918

CSO: 4020/349

PUBLICATIONS

BRIEFS

WEST CHINA EDITION OF JINGJI RIBAO--The west China edition of JINGJI RIBAO will start publication on 1 July and be distributed throughout the country. At present the economic development of west China is attracting ever greater attention. The west China edition of JINGJI RIBAO is to be run by JINGJI RIBAO. Based in the west, it will face the whole country, and act as a bridge in promoting exchanges, cooperation, and development in east, central, and west China. Thus west China's economy will display its strong points in national economic construction. The west China edition will be edited and published in Xian. [Text] [Xian Shaanxi Provincial Service in Mandarin 2330 GMT 28 May 86 HK] /6091

FOREIGN BUSINESS LAWS COLLECTION--Beijing, 30 May (XINHUA)--A Chinese-English bilingual collection of Chinese laws and regulations concerning foreign economic relations has been published jointly by China Prospect Publishing House (CPPH) [name as received] here and CCH Australia Limited. The loose-leaf, 4-volume collection, called CHINA LAWS FOR FOREIGN BUSINESS, contains 136 laws and regulations on business, taxation, customs, and special economic zones. [Text] [Beijing XINHUA in English 0624 GMT 30 Jun 86 OW] /8918

CSO: 4020/349

TAIWAN

ECONOMICS MINISTER REAFFIRMS FREE TRADE POLICY

OW071439 Taipei CNA in English 1419 GMT 7 Jun 86

[Text] Taipei, June 7 (CNA)--Economics Minister Lee Ta-hai reaffirmed Saturday that the Republic of China [ROC] will continue implementing market-opening measures and lowering import tariffs in order to speed up economic transformation.

Minister Lee said that as overprotection of domestic industries will hamper industrial upgrading and inflict unfair burden on local consumers, the ROC Government will open its market for more foreign products.

To help local manufacturers survive foreign competition, Lee said, the government has reduced bank interest rates and business tax rates to help cut production cost. The government also has streamlined its overseas commercial offices in an effort to establish a local market information collecting network as well as help local industrialists make direct investments abroad.

Lee further pointed out that 98 percent of local industries are medium- or small-size businesses, most of which lack capability to collect latest market information, design new products and establish direct sales. The government will give priority to the argument of local industry's scale, he said.

Lee made the remarks at a citation ceremony for the country's outstanding exporters in 1985. The minister presided over the ceremony at the Taipei World Trade Center, in which 372 top exporters were honored.

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CSO: 4020/350

TAIWAN

BOFT CRITICIZES U.S. PROTECTIONIST MEASURES

OW071129 Taipei CNA in English 1022 GMT 7 Jun 86

[Text] Taipei, June 7 (CNA)--The United States regards the Republic of China [ROC] as one of the economic powers in the world today judging from the fact that many trade protectionist measures taken by the United States are directed at this nation.

The Board of Foreign Trade [BOFT] under the Ministry of Economic Affairs is worried that the United States intends to phase out the generalized systems of preference [GSP] treatment of ROC-made products being exported to the United States by casting an image of the Republic of China as one of the developed nations.

Following the U.S. Government request that the Republic of China, Japan, West Germany and Switzerland take the initiative in imposing quotas on their respective exports of tool machineries to the United States over the next 5 years, the U.S. House of Representatives, with a two-thirds majority vote in late May, passed the omnibus trade bill, asking the Republic of China, Japan and West Germany to reduce their respective trade surplus with the United States by 10 percent annually starting in 1987.

Judging from the above-mentioned examples, a spokesman for the BOFT says, the United States has created the impression in the international community that the Republic of China has entered into the ranks of advanced nations like Japan, West Germany and Switzerland.

He notes that the United States has been trying to delete the ROC from the list of developing nations that are entitled to the U.S. GSP treatment because it wants to improve the huge trade imbalance with the ROC, which reached a record high of about U.S. \$10 billion in 1985.

In recent years, the ROC has been enjoying the greatest benefit of any nation under the GSP system. For instance, the BOFT spokesman says, the ROC's duty-free exports to the United States amounted to U.S. \$3.22 billion in 1985, accounting for 24.17 percent of the total U.S. duty-free exports under the GSP system last year. It also represented 21.7 percent of the total ROC's exports to the United States in 1985.

The spokesman explains that the economic development in the Republic of China still lags behind that in the industrialized nations, although the rapid economic development in this nation has been recognized by other nations with admiration. For example, the per capita income of the ROC was about U.S. \$3,000 in 1985 and it was far lower than the more than U.S. \$10,000 registered in the United States, Japan, West Germany and Switzerland.

Besides, he says, although the ROC's total two-way trade reached U.S. \$50 billion and was listed as one of the top 20 trading nations in the world in 1985, the majority of the ROC-exported goods were products assembled here from imported spare parts and components or those of the less technology-intensive industries. This shows that the industrial and technological standards in this nation are still lagging far behind those in the advanced nations.

Therefore, the BOFT spokesman says, the ROC is still a developing country and should continue enjoying the U.S. GSP treatment. It will be unfair to graduate the ROC from the GSP beneficiary list because even Singapore and Hong Kong, whose per capita incomes stood at some U.S. \$7,000 and U.S. \$5,000 respectively, are still entitled to the GSP treatment, he adds.

To effectively improve the huge trade imbalance with the United States and ease the U.S. trade protectionist pressure on the ROC, the BOFT has suggested related government agencies to strive for the purchases of Alaskan crude oil and high technology equipment and products, and consider giving priority to American aircraft and equipment when purchasing for China Airlines and such major construction projects as nuclear power plants.

The BOFT, however, says that to improve the huge trade imbalance between the ROC and the United States is not a responsibility on the part of this nation alone. To assist American manufacturers in exploiting the ROC market, the BOFT sponsored an American products exhibition in Taipei last March. But American businessmen did not take part in the exhibition enthusiastically.

According to the BOFT spokesman, the ROC will enhance propaganda activities in the United States in the near future telling Americans the strong purchasing power of the ROC people in the hope that American manufacturers will be attracted to exploit the ROC market.

The BOFT, however, also hopes that American businessmen will take the initiative in studying the ROC market and setting up branch offices in Taipei to market their products. Thus, the huge trade imbalance between the two countries will be greatly improved by expanding the exports of U.S. products to the Republic of China, the spokesman adds.

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CSO: 4020/350

3 July 1986

TAIWAN

EDITORIAL VIEWS TRADE SURPLUS WITH U.S.

OW040641 Taipei CHINA POST in English 1 Jun 86 p 2

[Editorial: "A Proper Response to the High Tide of American Protectionism"]

[Text] Recently the House of Representatives of the United States' Congress passed a bill setting out very strong protectionist measures to be taken against the Republic of China, Japan and West Germany, all of which have large trade surpluses with the United States. In essence, these three countries would, according to this bill, be asked to reduce, starting from 1987, their favorable trade balances by 10 percent each year until such time as the trade balance is not regarded as being excessive. It remains to be seen whether the Senate will go along with this, but President Reagan has made it clear that he will veto any such bill passed by Congress.

However, from our point of view, we should not, and cannot, ignore the basic forces at work which made it possible for the House of Representatives to pass such a highly protectionist bill. The United States has experienced a persistently unfavorable balance of merchandise trade (i.e. where imports have exceeded exports) for more than 15 years. Prior to 1971, it almost always had a favorable balance each year, but beginning with that year the opposite has prevailed (with the exception of 1973 and 1975, the only 2 years in which there was a favorable balance. In addition, the size of the unfavorable balance has been increasing. In 1971 the total unfavorable trade balance was only U.S. \$2 billion. It grew to be nearly \$40 billion in 1981, and after 1982 it jumped by leaps and bounds. In 1985, the total unfavorable trade balance was as much as \$148 billion, nearly 5 percent of U.S. national income.

Why has the American trade balance become so unfavorable? In our view, Ronald Reagan should bear as much of the blame as anyone else. And is well known, his economic philosophy called for a cut in taxes and in government expenditure. After he was elected, he succeeded in doing the former, but not the latter. Large budget deficits resulted. However, the Federal Reserve refused to finance the deficits with an easy monetary policy. Consequently, interest rates went up sharply. Rising interest rates together with favorable investment environment attracted a large inflow of foreign capital into the United States, which meant an increase in demand for the American dollar. Thus the American dollar became increasingly strong. A strong dollar was of

course bad for exports but good for imports, and so a trade deficit resulted. It was not until last year that the United States began, with the help of her European allies, to take steps to depreciate the dollar. However, it will take some time before the effects of the depreciation of the dollar are felt.

The protectionists in the United States are not so interested in an analysis of the causes of the American trade deficit as they are concerned with the threat of the ever increasing imports. As a consequence, they are not so interested in finding a proper cure for the evergrowing trade deficit, that is, a reduction of the budgetary deficit, as they are in lobbying support for protectionist legislation. They know that in terms of American politics, it is much harder to get sufficient support to reduce the budgetary deficit significantly than it is to blame foreigners for high unemployment and poor business at home. To be sure, a protectionist policy will harm American consumers, but the consumers are not organized to protect their own interests, while the industries which are threatened by imports are. These special interest groups try hard to put pressure on Congress to protect and further their interests. So, as long as there is a large trade deficit, there will always be a good chance that the protectionists will succeed. As long as we have a large favorable trade balance with the United States, we always [will] be a target of American protectionism.

We have had a favorable trade balance with the United States every year since 1968. In 1968 it was only U.S. \$39 million. It grew to be \$725 million in 1973. By 1984, it was up to \$9.826 billion.

Our large favorable trade balance with the United States is not really beneficial to us. Our persistent trade surplus with the United States has caused our foreign exchange reserves to increase sharply. An excess amount of foreign exchange reserves such as we have is harmful in two major respects. First, it means there is a large outward movement of capital which we can ill afford movement of capital at home in order to upgrade the structure of the economy and realize a high rate of growth. Secondly, disproportionately large foreign exchange reserves bring inflationary pressure to bear on the economy, which we need to alleviate in order to achieve price stability, an essential ingredient of sustained and equitable economic growth.

Thus our proper response to the rising tide of American protectionism should not be one of just blaming the American protectionists, or laughing at their irrationality or short-sightedness. Instead, we should concentrate our efforts on finding ways to reduce our favorable trade balance with the United States. We are glad to see that our government is doing just that.

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TAIWAN

MINISTRY AGREES IN PRINCIPLE TO LOOSEN INVESTMENT LIMITS

OW090323 Taipei CNA in English 0253 GMT 9 Jun 86

[Text] Taipei, June 7 (CNA)--The Ministry of Economic Affairs has decided in principle to gradually loosen restrictions on foreign investments in trading companies here as a part of its effort to liberalize and internationalize the nation's economy.

Economics Minister Lee Ta-hai made the directive after listening to a report by Vincent C. Siew, director general of the Board of Foreign Trade [BOFT], on a proposal to allow foreigners and overseas Chinese to make investments and run trading companies in this nation.

Siew pointed out in his report that South Korea since April has opened its import and export businesses to foreign investors on certain conditions. At present, foreign businessmen here are restricted to handle imports and exports related to products manufactured by their companies in this nation, he said.

It is necessary for foreign-invested manufacturing industries to engage in foreign trade related to their products here, but it will be completely different situation and unfair to local traders if all foreigners are allowed to run trading companies here, Siew said.

Lee has directed BOFT to study merits and demerits of opening the nation's foreign trade businesses and come up with a report on its feasibility. In principle, the government has decided to gradually loosen its foreign trade market, he said.

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PREMIER YU AWARDS TOP EXPORTERS FOR 1985

OW071219 Taipei CNA in English 1001 GMT 7 Jun 86

[Text] Taipei, June 7 (CNA)--Thanks to concerted efforts to the government and the private sector, the Republic of China [ROC] has become the 10th largest exporting country in the world, Premier Yu Kuo-hwa said Saturday morning.

Speaking at an award-presentation ceremony for the top exporters of last year, Premier Yu said that the ROC registered record exports of U.S. \$30.7 billion in 1985. Although the amount was only up 0.9 percent from the 1984 level, Yu said, it was a remarkable achievement in the face of a worldwide economic downturn and growing protestionism.

Yu said, however, that the nation should still put more emphasis on upgrading product quality, diversifying export markets and following a free trade policy.

The awards ceremony was held Saturday morning at the Taipei World Trade Center with Economics Minister Lee Ta-hai presiding.

Altogether, 372 outstanding export firms were honored at the ceremony. Premier Yu conferred special-class awards on 14 companies, each of which exported more than U.S. \$100 million of goods last year.

Economics Minister Lee presented first-class awards to each of 23 companies with exports of more than U.S. \$50 million but less than U.S. \$100 million.

The director general of the Board of Foreign Trade [BOFT], Vincent C. Siew, gave second-class awards to 305 companies whose 1985 exports were more than U.S. \$10 million but less than U.S. \$50 million.

Thirty other companies were also honored for successfully promoting their products in foreign markets.

The BOFT said Friday that 5482 ROC companies exported at least U.S. \$1 million worth of goods last year. All of them were put on the list of the ROC's outstanding export companies for 1985.

The E-Hsin International Corp in Taipei topped the list of outstanding export firms with exports exceeding U.S. \$260 million last year. The company registered in 1985 an export growth of 143.8 percent compared with the preceding year.

The exports of the 14 top exports firms in 1985 totaled U.S. \$2.30 million, or 6.6 percent of the ROC's export total, which amounted to U.S. \$30.7 billion.

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TAIWAN

BRIEFS

FOREIGN TRADE INCREASES IN MAY--Taipei, June 7 (CNA --The foreign trade of the Republic of China jumped by 10.59 percent to U.S. \$5.05 billion in May over the same month previous year, according to statistics released by the Directorate General of Budget, Accounting and Statistics. Of the total foreign trade in May, U.S. \$3.13 billion was export-related, registering a 16.7 percent growth over the figure of U.S. \$2.68 billion for the same month last year. The balance went to imports, which showed a 1.87 percent increase over a year ago. The country's foreign trade during the January-May period totaled U.S. \$23.85 billion, up 13.35 percent over 1985's U.S. \$21.04 billion and pushing ROC's trade surplus to U.S. \$5.47 billion. [Text] [Taipei CNA in English 0958 GMT 7 Jun 86 OW] /8918

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